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NATIONAL SECOND MORTGAGE ASSOCIATION

SECOND MORTGAGE STATISTICAL SURVEY FOR THE YEAR 1983

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Second Mortgage Survey, 1983

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Abstract:

This report analyzes the responses of National Second Mortgage Association (NSMA) members to requests for information on the association's annual questionnaire. Responses to the questionnaire which were received before Oct.1, 1984 are included in the statistical results presented here. While the survey does not cover all NSMA members it shows that the 58 respondents held nearly $17 billion in second mortgages outstanding at year-end 1983. They also show that strong growth in the second mortgage market continued in 1983, as the typical respondent reported a growth rate of 17% in year-end net outstandings and 42% in originations over 1982. Analysis of more detailed data provided on the 1984 questionnaires shows that most of the second mortgage growth in 1983 resulted from growth in the number of loans made (as the average size of second mortgages increased only about 10%). The growth in lending also was reasonably consistent for all types of lenders.

In addition to data on Second Mortgage loan balances, originations, sizes, and growth, the questionnaire data provided useful insights into second mortgage renewals and cash liquidation rates, second mortgage loan terms; secondary market activity; loan delinquencies, losses and chargeoffs; and the profitability of second mortgage lending. Furthermore, data newly collected in 1984 provided useful insights into second mortgage pricing; the use of private mortgage insurance; foreclosure and chargeoff policies; and adjustable rate, balloon, revolving and indirect lending.

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In general, in spite of the recession that ended late in 1982, the data indicate that losses on second mortgage lending are still quite low. Typical foreclosures were only slightly more than one-half of one percent and chargeoffs were only about half as large as foreclosure rates. Furthermore, total delinquencies (of over 60 days) were roughly three percent. However, in spite of the good overall statistics some lenders experienced serious loss and delinquency problems in 1983.

Overall, except for those lenders who incurred excessive losses, second mortgage lending was highly profitable for most lenders in 1983. The reason was that, in general, second mortgage lenders' costs of funds dropped much more sharply than their average portfolio yields in 1983.

Other key data show that second mortgage cash liquidation rates averaged 30% at most lenders, other than commercial banks. Liquidation rates unadjusted for renewals were even higher, ranging up to 40% or more for many lenders. Unadjusted portfolio liquidation rates were highest for institutions that refinanced a number of loans and for institutions that sold many loans in the secondary markets.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed data compiled by lender group in each of the tables to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, savings associations (including mutual savings banks), commercial banks, bank affiliated finance companies with large holdings of second mortgages, bank affiliated finance companies with smaller holdings of second mortgages, non-bank finance companies with large holdings of second mortgages, and non-bank finance companies with smaller holdings of second mortgages.

Second mortgage lending, delinquency, and foreclosure experience also varied widely across states. The final section of this report describes interstate differences in second mortgage lending.

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SECOND MORTGAGE SURVEY, 1983

Richard L. Peterson*

I. Overview:

This survey is part of a continuing series of surveys that the National Second Mortgage Association (NSMA) has conducted of its members in order to obtain as much information as possible about the nature of the second mortgage market. The first survey was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to conduct surveys of second mortgage lenders in 1979, 1980 and 1981. These were published by the Credit Research Center as Working Papers No. 33, 39, and 42 -- which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center, of Purdue University. The 1982 and 1983 surveys also were prepared by the present author. Back copies of those surveys are available for $10 each (with no postage charge) from Texas Tech University's Institute for Banking and Financial Studies, Lubbock, Texas, 79409. The present survey, as was the case in years past, has been prepared for distribution by the National Second Mortgage Association to its members.

The data analyzed in this report were obtained from a poll of NSMA members that was conducted in mid-1984. All NSMA members were mailed detailed

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forms for completion and return anonymously to the author (a copy of the questionnaire is found in the Appendix). Most of the data reported in this paper were obtained from those questionnaires.

This year a total of 65 NSMA members returned the questionnaires, of which 59 provided detailed data. The other six forms were returned by title search, insurance, or credit reporting firms that made no second mortgages. The data provided in the returned questionnaires provided valuable insights into the nature of growth in second mortgage originations and outstandings; second mortgage loan sizes and terms; second mortgage loan refinancings, liquidations, and cash flows; the use of private mortgage insurance on second mortgages; secondary market participation by NSMA members; second mortgage delinquency ratios, foreclosures, and chargeoffs; and factors affecting revenue sources and the overall profitability of second mortgage lending.

Due to improvements in the questionnaire and considerable care taken by most of the respondents, the data reported in the 1984 questionnaire are far more comprehensive, and should be more reliable and useful than data reported before 1982. Reporting accuracy was particularly good for large finance companies.

However, there were still some reporting problems associated with the survey. Comparisons with NSMA membership application and renewal forms indicates that at least 20 NSMA members did not report on the questionnaire. Also, only about half of those that did return questionnaires were able to give detailed data on a state-by-state basis, and only two-thirds of the respondents provided complete data on foreclosures, delinquencies, and other factors affecting their profitability. Consequently, the reported data are not as comprehensive or

detailed as might be desirable. This was particularly the case since a number of reporters were unable to isolate data relating solely to second mortgages from their other operating data. This caused some responses to be omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1984 NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1983, and to second mortgage transactions during 1983. Because of the distinct nature of different financial entries, data are reported separately for the following categories of reporters:

(1) Bank-affiliated finance companies holding over $100 million in outstanding second mortgages
(2) Bank-affiliated finance companies holding $100 million or less in outstanding second mortgages
(3) Other finance companies holding over $100 million in second mortgages
(4) Other finance companies holding $100 million or less in second mortgages
(5) Commercial banks
(6) Savings and loan associations and mutual savings banks, and
(7) Mortgage bankers.

A breakdown of questionnaire respondents, by reporting category, is given in Table 1. Some key data reported in the questionnaire are summarized for each type of lender in Table 2. Much more detailed and analytical data follow in tables 3 through 24.

In Table 2 summary data are compiled for key statistics on second mortgage outstandings, originations, foreclosures, and chargeoffs. The number of respondents providing constituent data is given in parentheses at the side of each column. At the bottom of the table, supplementary data obtained from NSMA membership application and renewal forms are provided on second mortgage foreclosure rates. The footnote to the table presents supplementary data on average loan sizes obtained from the application and renewal forms.

The data listed in Table 2 indicate that NSMA members held over 1.1 million second mortgages worth nearly $17 billion at year end 1983. The average size of second mortgages outstanding was between $15,000 and $16,000. The data also indicate that NSMA members originated well over 400,000 second mortgages, worth over $8½ billion during 1983. The average size of new loans was approximately $20,000.

While not all respondents provided data on foreclosures, most of the larger second mortgage holders did so. They reported four thousand foreclosures in 1983 on loans worth $86 million. However, their net chargeoffs in 1983, at $43½ million were only half as large as the value of loans foreclosed. More complete data on foreclosures obtained from NSMA membership application and renewal forms indicate that second mortgage foreclosures nearly equalled 5,000 in 1983. However, the median ("typical") foreclosure rate only equalled 55 hundreth's of 1 percent of the amount of loans outstanding at year-end 1983.

The average loan size data reported in Table 2 differ from later figures in that they are averages for sums of all data reported by all respondents. All other data reported in the study refer to high, low, or "typical" (i.e., median)

values of ratios applicable to each type of institution. In those computations, averages are obtained by giving each institution's statistics equal weight, while in Table 2 each loan, or each dollar of outstandings (as the case may be), is given equal weight.

II. Characteristics of Second Mortgage Lending in 1983

The 1984 questionnaire obtained extensive descriptive information on respondents' loan policies and portfolio characteristics in 1983. For the first time, direct data were obtained on loan pricing and credit insurance policies; adjustable rate, balloon, revolving, and indirect lending; the security position of second mortgage debt; and rate adjustment techniques on variable rate loans. In addition, as was done in previous years, data were compiled on second mortgage growth rates, originations and renewals, cash and total portfolio liquidation rates, and secondary market activity. Major findings are presented in Tables 3 through 12 and are summarized below.

A. Loan Terms

In 1984, for the first time NSMA members were asked to report their high, low, and average interest rates charged during 1983. The reported data indicated that rates on new second mortgages ranged from 10.91% to 38% in 1983, and that second mortgage rates averaged 17.12% for all lenders who reported their average second mortgage rates. Typical average rates charged on second mortgages were highest for smaller finance companies, substantially lower for large finance companies, even lower for commercial banks and mortgage bankers, and lowest for thrift institutions(See Table 3).

Loan to value ratios (LTV) on second mortgages ranged from 61.2% to 82%, with an average of 72%. Typical loan to value ratios ranged from 70% to 75% of appraised equity. Banks and Thrifts typically offered loans on the most restrictive terms, while finance companies and mortgage bankers typically offered loans with slightly higher loan to value ratios. The maximum combined loan to value ratio (CLTV) that NSMA respondents would consider ranged from 60%

to 100%. The average CLTV was 81% and typical maximum requirements ranged from 75% to 85%.

The written maturity of new second mortgages ranged from 24 months to 260 months and averaged 112 months. However, due to the use of renegotiable balloon notes, the average actual maturity was substantially lower, with an average value of 79 months. Typical written maturities were longest at large finance companies, commercial banks, mortgage banks, and thrift institutions, where they were approximately ten years. Typical written maturities were shortest at the smaller finance companies, where they averaged 7 years of less. Typical values for average actual maturities were between 5 and 7 years for most lenders, with a maximum value of 18 years and a minimum value of 3 years.

The average size of second mortgage loans made to businesses ranged from $19,000 to $683,000 in the last quarter of 1983, but only 8 respondents made such loans. The average size of loans made to households by NSMA respondents was considerably smaller -- with an average size ranging from $4,900 to $129,000 for different respondents and typical values, for most types of lenders, of approximately $18,000. Typical loan sizes were largest at commercial banks and smallest at small bank-affiliated finance companies.

Additional information collected on loan terms indicated that, the vast majority of second mortgage respondents rarely made second mortgages to finance new home purchases. The data also showed that most lenders did not require the use of private mortgage insurance -- albeit, its usage was somewhat lower at bank-affiliated finance companies and somewhat higher at commercial banks and large non-bank finance companies than at other lenders.

B. Growth in Second Mortgage Lending

NSMA respondents reported strong growth in their second mortgage loan originations and outstandings by all types of lenders in 1983. The median growth rate in originations was 41.9% for the value of loans originated and 24.1% for the number of loans originated. The typical average size of new loans increased moderately (by 7 to 22 percent) at all lenders except commercial banks. Because of the strong growth in originations, second mortgage outstandings typically grew by 16.6% from year-end 1982 to year-end 1983 with the most rapid growth occurring at large finance companies, commercial banks, and mortgage banks. The number of loans outstanding typically grew by 10% and the average size of loans outstanding typically grew by 6 to 9 percent in 1983. While the growth in loans and loan sizes was fairly even across the board, commercial banks typically experienced the most rapid growth in the number of loans (See Table 4).

C. Second Mortgage Originations and Renewals

The overall average size of second mortgage originations throughout 1983 varied substantially among lender groups. The finance companies (especially the smaller finance companies) typically made the smallest loans while commercial banks, followed by thrift institutions and mortgage banks, typically made the largest loans. Overall, the average size loan made by all respondents was a little over $20,000. The average size of revolving credit originations, at $19,000 was somewhat smaller than the average size of second mortgage originations in general. This pattern was consistent across lender groups with the exception of large bank-affiliated finance companies (See Table 5).

For NSMA members in general, a large portion of the number of second mortgages originated represented renewals of previous loans. The renewal rate

was highest for finance companies, particularly for the smaller finance companies where renewals typically represented half of all loan originations. In contrast, renewal rates were quite low for mortgage bankers, thrift institutions, and commercial banks. Because of the high amount of renewals at some lenders, overall, new money represented only 80% of the second mortgage originations reported by NSMA members.

D. Second Mortgage Liquidation Rates

Many people are interested in the speed with which second mortgage portfolios typically are liquidated. The scheduled amortization rates from second mortgages and, hence, the scheduled cash flows are considerably higher than amortization rates and cash flows from first mortgages. In addition, second mortgage liquidation rates are augmented by the fact that second mortgages are prepaid or refinanced much more frequently than first mortgages.

While it would be ideal to have information on liquidation rates according to the age and initial maturity of second mortgages, such detailed data are not available. In fact, data are not directly available on total portfolio liquidation rates. Nonetheless, liquidation rates can be computed for entire second mortgage portfolios by making use of the fact that the change in outstandings must equal originations minus extensions or, equivalently, total liquidations equal new extensions minus the change in outstandings. Additional adjustments can also be made to account for purchases and sales of second mortgages from the portfolio and for renewals which represent paper, rather than cash, transactions.

Table 6 shows the portfolio liquidation rates calculated by various techniques for different types of lenders. Because mortgage bankers vary their portfolios widely, as they pool and sell off securities, in some cases the

calculated liquidation rates did not make sense and were excluded from the results presented in Table 6.

Overall, the data presented in Table 6 indicate that second mortgage portfolios turned over at a high rate in 1983. Except for commercial banks, typical second mortgage portfolio liquidation rates equalled 30 percent to 40 percent of average net outstandings during 1983. Even after adjustment for purchases and sales and refinancings, cash liquidation rates typically were close to 30% of average net outstandings for all non-bank lenders. At the indicated rates the average second mortgage would be liquidated by cash repayment in roughly three years, and it would be liquidated either by cash repayment or renewal in approximately 2½ years.

E. Secondary Market Activity

Approximately 40 percent of the 1984 NSMA questionnaire respondents reported purchasing second mortgages from other originators, and approximately 20 to 25% of all respondents reported selling and servicing second mortgages. On balance, NSMA members were net purchasers of second mortgages, with purchased mortgages accounting for approximately 5% of the mortgages held by NSMA respondents. However, second mortgages sold accounted for slightly less than 4% of second mortgage originations in 1983 (See Table 7).

Purchasers of second mortgages tended to buy mortgages that were somewhat smaller than second mortgage credit originations in general. However, second mortgages sold and serviced tended to be somewhat larger than typical second mortgage loan originations and outstandings.

Finally, while little information was available on servicing fees received on second mortgages, the limited data that were available suggested that annual

servicing fees typically averaged between $300 and $400, or approximately 2% of the value of second mortgages serviced.

F. Revolving Lending

The 1984 questionnaire showed that revolving second mortgage credit originations and, to a lesser degree, outstandings, grew strongly from 1982 to 1983. At year-end 1983, revolving credit accounted for $573 million or 3% of all second mortgage credit outstanding. Revolving credit originations in 1983 were $385 million, or 4½% of total second mortgage originations in 1983. Both figures were up strongly from 1982, primarily because many more lenders reported revolving credit originations and outstandings in 1983 (See Table 8).

In general, the average size of revolving second mortgage loans was somewhat smaller than typical second mortgages. This suggests that revolving lines of credit secured by second mortgages probably were not fully utilized.

G. Adjustable Rate and Balloon Mortgages

Adjustable rate mortgages (ARM's) were another form of second mortgage that grew very rapidly during 1983. At year-end 1983, NSMA respondents reported that they had ten times as many ARMS's outstanding as they had at the beginning of the year -- an amount equal to 10½% of their total second mortgage holdings. Much of the growth reflected the acquisition of adjustable rate mortgages by lenders who previously had not made such loans. However, the typical lender that held adjustable second rate mortgages at the start of 1983 quadrupled its holdings during the year (See Table 9).

Ownership of ARM's was concentrated among particular lender groups. Thrift institutions were the most active in the market, followed by commercial banks and large finance companies of all types. Small finance companies rarely made

adjustable rate second mortgages and mortgage banks held relatively few.

Rate adjustments on second mortgage ARM's were primarily tied to short-term market rates. The bank prime rate was primarily used to establish ARM rates -- particularly for finance companies and commercial banks. The second most common type of rate base consisted of rates on Treasury securities -- usually 3 month, 6 month, or 1-year Treasury bills. Treasury security rates were most commonly used to adjust rates charged on ARM's issued by thrift institutions and mortgage bankers. Other rate adjustment mechanisms included the 10-year Treasury bond rate, the CD rate, the company's "base rate," the Federal Home Loan Bank Cost of Funds index and the Federal Home Loan Bank Mortgage index. Rate adjustment procedures are summarized in Table 9 and presented in more detail in Table 10.

Some companies used balloon rate second mortgages in lieu of ARM's. Such mortgages have rates that can be marked to the market whenever they come due and the balloon payment is refinanced. Overall, balloon mortgages grew substantially less rapidly than ARM's during 1983, but they still grew at a rapid rate. As a result, they accounted for 2½% of all second mortgages held by NSMA respondents at year-end 1983.

Interestingly, in contrast with revolving second mortgages, which were slightly smaller than typical second mortgages, ARM's and balloon note second mortgages were substantially larger than other second mortgages. Seemingly, lenders are more concerned with obtaining protection against interest rate changes when they extend large amounts of credit which, presumably, is amortized over relatively long periods of time.

H. Indirect Lending and Subordination of Second Mortgage Debt

The 1984 NSMA questionnaire, for the first time, asked questions designed to determine the extent to which second mortgage lenders obtained their second

mortgages indirectly rather than through their direct lending activities. Very few firms responded to this question and the vast majority of them indicated that they did not engage in indirect lending. Furthermore, most that did engage in indirect lending obtained only a small portion of their portfolios that way. Nonetheless, several respondents obtained their entire second mortgage portfolios through indirect loan originations.

Another set of questions asked for the first time were questions designed to determine the security position of second mortgage liens. While most respondents reported that all their second mortgages were, indeed, second liens, half a dozen reported that some were, in fact, first liens taken out by people who wished to draw on the equity in their fully-owned homes. The highest proportion of first liens, however, was only 35% (See Table 11).

Finally, two respondents reported that a few of their second mortgages were actually third liens or higher. However, the maximum holding of such liens was only 13%.

I. Private Mortgage Insurance

Some second mortgage lenders use private mortgage insurance to provide additional risk coverage on their loans. Many require such insurance only if the borrowers equity position in a property, based on a combined loan to value ratio (CLTV) assessment, is below their usual standards. Others may require private mortgage insurance on all loans so they can be more easily pooled and resold.

The 1984 questionnaire asked respondents to specify their private mortgage insurance (PMI) policies. Responses to that question are provided in Table 12. The limited number of responses suggest that private mortgage insurance is not

required by most second mortgage lenders, and when it is required, it is used primarily to guarantee loans that otherwise would fail to meet the lender's owner equity standards. Interestingly, it appears that a number of lenders impose much stricter equity standards on non-owner occupied or business-related properties.

III. Delinquencies, Foreclosures, and Chargeoffs on Second Mortgages

A. Delinquency Rates

In 1983, delinquency, foreclosure, and chargeoff rates were slightly higher than in 1982, probably because of lagged effects of the severe recession that ended in late 1982. However, problem loans still accounted for a very minor portion of most second mortgage lenders' portfolios.

Table 13 presents data on delinquency rates reported by NSMA respondents. It shows that typical 60 day+ delinquency rates for second mortgage lenders were 2.42% of net loans outstanding or 3.12% of the number of loans outstanding. It also shows that 60-89 day delinquency rates typically were 0.50%, based on the value of loans delinquent, and 0.59%, based on the number of loans delinquent. Delinquency rates expressed as a percentage of the number of loans outstanding tend to be higher than delinquency rates expressed as a percentage of the value loans outstanding because delinquent loans tend to be of smaller than average size.

There was substantial variation in delinquency rates both among individual lenders and by type of lender. Maximum delinquency rates were as high as 22.67% at mortgage banks (where they may be overstated due to mortgage banks low values of outstandings relative to serviced loans) and as low as 0.62% at commercial banks. As a general rate, typical delinquency rates were lowest at commercial

banks, thrift institutions, and mortgage banks, and highest at finance companies. Some small finance companies had delinquency rates of 10% or more.

B. Foreclosure Rates and Policies

Once a mortgage becomes delinquent, it may go into foreclosure or be charged off. Because considerable variation can exist in companies' policies at this point, NSMA respondents were asked to describe their foreclosure and chargeoff policies. Table 14 presents information on respondents' foreclosure policies.

Table 14 indicates that foreclosure policies vary widely. While most finance companies move to foreclose after 60 or, occasionally, 90 days in delinquent status, many also note that foreclosure will not be pursued at that time if the customer is cooperative and there are extenuating circumstances. Most mortgage banks have similar policies, albeit, some let the buyers of their mortgages dictate foreclosure policies. Commercial banks and thrift institutions have more variable policies -- some commence foreclosure proceedings when a loan is 30 days past due and others may wait as long as 180 days to foreclose. Some depository institutions of both types (commercial banks and thrifts) also noted that foreclosure was undertaken after protracted attempts were made to work with the borrower. Overall, foreclosure policies varied sharply depending upon the willingness of the customer to cooperate, the amount of equity in the home, and the stage of delinquency. Cooperative borrowers with extenuating circumstances often could forestall foreclosure, while uncooperative borrowers might find themselves faced with foreclosure proceedings in 60 days or, sometimes, less.

Foreclosures reported for 1983 by 37 questionnaire respondents totalled 4020, with a total value of $86,028,626. this equalled slightly more than 1/2% of all outstanding second mortgage loan balances at year-end 1983. As shown in Table 15, typical foreclosure rates as a percentage of year-earlier outstandings were lowest for commercial banks (at 0%), moderate for large finance companies of all types (at 0.43% and 0.48%) and thrift institutions (at 0.60%), and highest for smaller finance companies (at 0.93% and 1.15%) and mortgage banks (at a possibly upward biased 2.74%). Foreclosure rates for 1983 varied from 0% to over 10% of 1982 year-end outstandings at different institutions.

Additional details on foreclosures are provided in Table 16. Table 16 shows that nearly one-quarter of all property foreclosed is taken by deed and that slightly more than three-quarters is taken by legal process. Thrifts and mortgage banks most frequently recover the secured property through legal process while finance companies most frequently recovered their security by deed.

Other data presented in Table 16 indicate that the average ratio of property sold to total annual foreclosures is slightly more than 80%. This ratio often is less than 100% due to growth in the number of foreclosures and lags in the recovery and sale of foreclosed properties. However the ratio of sales to foreclosures may be over 100% for firms that liquidated properties foreclosed in previous years in addition to current foreclosures.

Finally, data provided in Table 16 show that the value realized from the sale of foreclosed properties equals 87% of the value of properties sold. While some firms recover 100% of the value of the debt upon sale, others realize substantially less -- which holds down the statistics on average recovery rates.

C. Chargeoffs

Overall, as shown in Table 17, total chargeoffs reported by NSMA respondents in 1983, at $68½ million, were three-quarters as large as their total foreclosures. However, as is shown in Table 18, many respondents charge off expected losses on a loan as soon as foreclosure proceedings are started. Subsequent recoveries may reduce chargeoffs substantially. Thus, total net chargeoffs, at $43 million equalled only one-half the value of foreclosures, even though chargeoffs were reported by more respondents than foreclosures.

Table 17 shows that recoveries on gross chargeoffs range from zero to 49%, and typically equal 14% of gross chargeoffs. Nonetheless, even after recovery, net chargeoffs were not trivial for most second mortgage lenders in 1983, as they ranged from 0 to 12% of average outstandings and had an average value of 0.78%.

Net chargeoffs typically were highest for the smaller finance companies (at 0.62% and 1.07% of average outstandings), moderate for the larger finance companies (at 0.43% and 0.44%), and lowest for thrift institutions, commercial banks, and mortgage bankers (where many institutions reported zero net chargeoffs). Interestingly, as one would expect, chargeoffs were highest at the highest rate lenders (who also made the smallest loans on most generous terms) and lowest at lower rate lenders (who also made larger loans on more restrictive terms).

V. Profitability of Second Mortgage Lending

The ultimate objective of second mortgage lenders is to turn a profit by making sure that loan revenues exceed costs. In this section we look at second mortgage lenders' overall profits, the relative importance of different types of revenues that accrue to second mortgage lenders, the cost of funds to second mortgage lenders, and the methods by which they recognize income.

A. Income Accounting

Table 19 presents responses given to a question that asked each responding firm to describe its income-recognition accounting procedures. The responses show that accounting procedure vary greatly among firms. There are two major types of differences -- cash vs. accrual accounting and actuarial (or simple interest) vs. sum-of-the years digits (rule of 78's) accounting for interest recognition.

The majority of lenders used accrual, rather than cash collection, methods to recognize earned income. However, many who did so had a provision whereby they either ceased interest accruals or reversed them when a loan became 60 to 90 days past due. Also, although actuarial or simple interest calculation procedures appear to be increasing -- particularly for loans over 84 months, and on revolving credit lines and other adjustable loans -- many lenders, possibly a majority, still use the Rule of 78's (or sum-of-the years digits) method to calculate accrued interest. The Rule of 78's can generate greater income if a second mortgage is prepaid -- as is commonly done -- but it often is deemed to generate excessive prepayment penalties on long-maturity loans and it is not sufficiently flexible to allow for adjustable rates.

B. Profits

Overall, as shown in Table 20, reporting second mortgage lenders recorded substantial profits in 1983. The six lenders who reported both their equity and their profits applicable to their second mortgage portfolios recorded a median (typical) pretax return on equity of 41.6%. While pretax returns on lenders full portfolios were typically somewhat smaller, all reporting mortgage bankers earned at least 41.6% or more as a pretax return on equity and typical pretax returns for bank-affiliated finance companies equalled more than 29%. Although a few non-bank finance companies earned relatively small pretax returns on equity, none of the reporting firms incurred losses in 1983.

Pretax income, recorded as a percentage of loans outstanding, generally was higher for second mortgages than for firms' entire portfolios. Typical positive net income "spreads" ranged from 2% of second mortgage outstanding at commercial banks to 3% at non-bank finance companies to more than 5% at bank-affiliated finance companies. Lenders' pretax ratios of total income to outstandings, while slightly below returns on their second mortgages, per se, generally were large relative to lenders' entire portfolios. Thus, overall, 1983 was a very profitable year for NSMA respondents.

C. Interest Costs and Revenues

The major reason 1983 was a profitable year was that second mortgage lenders' interest costs were substantially lower than their average interest revenues on their second mortgage loan portfolios. As is shown in Table 21, lenders' interest earnings on their second mortgage loan portfolios ranged from 10% to nearly 24%, with finance companies typically earning 18% returns, and other lenders earning somewhat less. At the same time, lenders costs of funds

were relatively low. Possibly because of the existence of long-term debt at low rates, and also because short-term rates fell substantially, all reporting second mortgage lenders had average interest expenses equal to or less than 12.26% of their average borrowings during 1983. While costs of funds applicable to lenders' full portfolios were somewhat higher, typical costs of funds still remained in the 8% to 12% range.

While interest earnings on second mortgage lenders' entire portfolios often averaged slightly more than their earnings on their second mortgages, per se, their profits on their other lending were not necessarily as high as their profits on second mortgages. Two reasons probably account for this: (1) lenders' operating costs per dollar of credit outstanding of making and servicing second mortgages are lower than the operating costs per dollar associated with smaller loans and (2) lenders may obtain significant non-interest revenues from origination fees and other revenue sources related to second mortgage loans.

Table 22 provides more detail on revenues received by second mortgage lenders. It shows that total revenues received on second mortgage portfolios tend to be somewhat higher than interest earnings per se. Major sources of additional revenues are mortgage servicing fees, origination fees, and insurance and other revenues. Typical origination fees averaged roughly 1¼% (between 1 and 1½%) of second mortgage originations and slightly more than ½% of second mortgage outstandings. Insurance and other revenues ranged from 0.2% of second mortgage originations to over 5%, with typical values around ½ of 1%. Servicing fees were highly variable, in part because only a small fraction of respondents serviced second mortgages; they typically ranged from 0 to 2.2% of average second mortgages outstandings.

All in all, non-finance charge sources of revenue frequently added between 1/2% and 3 percent to the rate of return second mortgage lenders earned on their second mortgage portfolios.

VI. State Specific Data

Each respondent to the 1984 questionnaire was asked to provide separate information on the characteristics of their second mortgage lending operations in each state. While not all could, or did, comply, between one-third and one-half the respondents provided substantial data on their second mortgage lending in each individual state. Most of the respondents to this part of the questionnaire were finance companies.

The statewide data provided included data on second mortgage loan outstandings, originations, delinquencies, foreclosures, and average finance rates. Those data are summarized in tables 23 and 24. Table 23 provides summary data on statewide outstandings, originations, average finance rates (APR's), delinquency rates (for 60 days and over), and foreclosures for all 50 states plus Washington, D.C., Puerto Rico, and , in one case, Ontario. Table 24 provides key ratios calculated either directly form state statistics or by comparing state statistics to similar growth and delinquency data for lenders' portfolios as a whole. The ratios are useful for analyzing such things as growth patterns, foreclosure rates and experience, and comparative delinquency rates.

Major points of interest of related to the state specific data relate to (1) outstandings and originations volume and growth, (2) loan rates, (3) comparative delinquency rates, and (4) foreclosure experience. Each will be discussed in turn.

A. Outstandings, Originations, and Growth

The data presented in Table 23 (columns (1) and (2)) show that there are vast differences in the amount of loan outstandings reported in each state -- ranging from zero in Arkansas and Maine (where rate ceilings and laws have traditionally restricted lending) to 2½ billion in California. States with the largest amounts of second mortgages originated or outstanding included, in order, California, Florida, Pennsylvania, Ohio, Colorado, New Jersey, Arizona, North Carolina, Virginia, Maryland, New York, Indiana, and Oklahoma. States with the lowest amount of second mortgages reported outstanding included, in order, Arkansas and Maine, North Dakota, Alaska, Vermont, South Dakota, Washington D.C., Rhode Island, Montana, Michigan, Nebraska, and Wyoming.

Growth rates of second mortgage lending could be approximately measured by computing the ratio of originations to outstandings. If a large portion of outstandings were acquired in the past year, then the growth rate of outstandings was assumed to be high. Mortgage bankers who sold their loans out of state provided an exception to this rule, however. Therefore, such data were eliminated from these calculations if they had extraordinarily high values.

States were classified as high growth or low growth states based on both the ratio of originations to outstandings (Table 24 - Column 1) and the relative value of that ratio to the ratio of originations to outstandings for each lenders' entire portfolio (which showed growth in each state relative tc each lenders' overall growth performance -- Table 24, column (2)). Based on the first ratio, high growth states included, in order, Minnesota, Michigan, Delaware, Massachusetts, West Virginia, Washington, Kentucky, South Carolina, Oklahoma, Maryland, Nebraska, Pennsylvania, New York, Wisconsin, Rhode Island, Illinois, New Mexico, and Texas. The relatively high growth rate was confirmed by the

second ratio for all states except Texas, which allows second mortgages to be made only for limited purposes (home improvements or initial purchase money). The lowest growth rates for second mortgage lending apparently occurred in the following states, in order: Arkansas, Maine, South Dakota, Wyoming, North Dakota, Florida, California, North Carolina, Oregon, Louisiana, Mississippi, Hawaii, Washington, D.C., and Georgia. The low growth was confirmed by the comparative growth ratios for every jurisdiction except Oregon and Washington, D.C..

High growth states seemed to include a number of states in which finance company operations, in general, had previously been restricted by restrictive state laws. Low growth states seemed to include some states (Arkansas and Maine) where laws were still restrictive, some states (North and South Dakota and Wyoming) where the local economy was depressed, and some states (California and Florida) where the second mortgage market had already matured and had, thereby, reduced its potential for high compound growth rates in the future.

B. Loan Rates

Most second mortgage loan rates reported by respondents averaged between 17% and 19% in each state. The highest average rate was 20.6% in Vermont, and the lowest average rate was 13.9% in Texas (where most second mortgages are purchase money or home improvement loans). The states with relatively high rates (above 19%) included, in order, Vermont, Michigan, Kentucky, Nebraska, Alaska, Mississippi, Pennsylvania, and Georgia. The states with relatively low rates (below 17%) included, in order, Texas, Washington D.C., New Jersey, Arizona, Nevada, Florida, Hawaii, and Connecticut (See Table 23, Column (3)).

C. Comparative Delinquency Rates

Average delinquency rates varied widely across states, as shown in Table 23, column 4. This was confirmed by an analysis of comparative delinquency rates in each state relative to average delinquency rates experienced by the same lenders in their overall second mortgage lending operations. Overall, the highest delinquency rates were observed in Utah, where a number of lenders had serious delinquency problems. Following Utah, the highest average delinquency rates (2.9% or higher for delinquencies of 60 days or over) were observed, in order, in Wyoming, South Dakota, Iowa, Nebraska, Mississippi, Indiana, Idaho, Washington D.C., West Virginia, Illinois, Oregon, Montana, Kansas, and California. Overall, the highest delinquency rates tended to be clustered in the nation's "breadbasket," possibly because of the depressed state of agriculture; in the North Central and Rocky Mountain States where energy exploration development declined in 1983; and on the West Coast, where some real estate market prices may have declined from their previous highs.

The lowest average delinquency rates (below 1.25% for 60 days or over) were reported for North Dakota, Texas, Alaska, Michigan, North Carolina, Georgia, South Carolina, Rhode Island, Virginia, Delaware, Maryland, and New York. Relatively low delinquency rates (from 1.25% to 1.5% for 60 day plus delinquencies) were also reported in Kentucky, Connecticut, Tennessee, and New Mexico. The low rate in Texas (at 0.21%) is consistent with great lender caution accompanying the low loan rate and the restrictive nature of the market. However, While loan rates also were low in Washington, D.C., the high delinquency rate there (at 3.26%) suggests that lenders may have taken too much risk relative to their rates of return.

Overall, the comparative delinquency ratio data (Table 24, column (2)) indicate that the highest relative delinquency rates (at least 25% above lenders experience in other states) occurred in order, in Utah, Nebraska, Iowa, Oregon, Washington D.C., California, Mississippi, Kansas, Indiana, Louisiana, Idaho, Montana, and Illinois -- with Missouri and West Virginia not far behind. The lowest relative delinquency rates (below 50% of lender's overall experience) occurred, in order, in North Dakota, Alaska, Texas, Michigan, North Carolina, Vermont, Georgia, Massachusetts, Delaware, Rhode Island, South Carolina, Maryland, Hawaii, and New Mexico -- with Virginia not far behind.

D. Foreclosure Experience

Data on foreclosures reported in each state are presented in Table 23, column 5, and in Table 24, columns, 3 and 4. Overall, the number of reported foreclosures (Table 23, column 5) was highest in California, Arizona, Florida, Utah, Colorado, Oregon, and Ohio. The number of reported foreclosures was lowest in Alaska, North Dakota, Michigan, Vermont, Hawaii, Rhode Island, Delaware, Nevada, Kentucky, Minnesota, New Hampshire, Texas, and South Dakota. However, the raw numbers can be very misleading because the amount of loans varies so greatly from state to state.

In order to control for different amounts of loan outstandings each lender reported foreclosures in each state were divided by the amount of credit that each lender had outstanding in that state, then the resulting figures were averaged for all reporting lenders. The result is shown in Table 24, column 4. Those data indicate that foreclosure rates tended to be highest (above 2% of outstandings), in order, in Nebraska, West Virginia, Utah, Washington, D.C., Louisiana, Oregon, Colorado, South Dakota, Arizona, Iowa, Kansas, and

California -- with Montana lagging somewhat further behind. On this basis foreclosure rates in California were only 12th highest in the country even though the state reported the highest total number of foreclosures. Similarly, foreclosure rates in South Dakota were 8th highest in the country, even though lenders in that state reported only 2 foreclosures. While this method of ranking is not perfect, as one lender with a very bad experience can raise average reported foreclosure rates considerably, it probably gives a more accurate assessment of where foreclosures are causing the most difficulties than a comparison of the number of foreclosures in each state, per se.

The lowest incidence of foreclosure, below 0.4% of outstandings based on average foreclosure rates reported by individual lenders, existed, in order, in Michigan, Nevada, New York, Delaware, New Jersey, Kentucky, New Hampshire, Texas, and Maryland, Only slightly higher (0.47% to 0.68%) foreclosure rates were reported in Pennsylvania, Minnesota, North Carolina, Mississippi, Wisconsin, Georgia, and Alabama.

The final item of data reported on foreclosures reported was the ratio of foreclosed property sold to foreclosures (Table 4, column 3). Because not many respondents reported on the amount of property sold, these statistics do not appear to be very useful.

VII. Conclusions

This survey reports on the 1984 NSMA Second Mortgage Questionnaire. Data compiled from the responses of 58 respondents provide useful insights into the following aspects of the second mortgage markets: loan outstandings, originations, and growth; loan terms and sizes, second mortgage liquidation rates; the use of

secondary markets, revolving credit, adjustable rate and balloon notes; indirect lending and the use of private mortgage insurance; second mortgage delinquency, foreclosure, and loss rates; and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, finance rates, delinquency rates, and foreclosures. The data presented was much more detailed this year than in the past surveys because of revisions in the questionnaire.

TABLE 1: CHARACTERISTICS OF NSMA QUESTIONNAIRE RESPONDENTS, 1984

Finance Companies, total				34
Finance Companies Affiliated with Commercial Banks			19	
Holders of over $100 million in seconds (LBF Co.)		12		
Domestic	11			
Foreign	1			
Holders of under $100 million in seconds (SBF Co.)		7		
Other Finance Companies			15	
Holders of over $100 million in seconds (LF Co.)		9		
Holders of under $100 million in seconds (SF Co.)		6		
Commercial Banks				5
Thrift Institutions (Savings & Loans and Savings Banks, including commercial bank subsidiaries)				6
Mortgage Bankers and Related Institutions -- including subsidiaries of banks, thrifts, and others				13
Self-defined mortgage banks			11	
Mortgage "broker" servicing seconds			1	
Issuer of Mortgage-backed securities			1	
TOTAL *				58

* Includes all responses providing numeric dated that were received before Oct. 1, 1984. Another savings & loan second mortgage originator responded subsequently. An additional half dozen responses were received from title insurance companies, mortgage insurors, and credit reporting agencies which did not contain numeric data.

TABLE 2: KEY SUMMARY STATISTICS ON 1983 SECOND MORTGAGE ACTIVITY

A.	Second Mortgages Outstanding at Year-End 1983		
	1. Number of Second Mortgages Outstanding	1,114,841	(54)
	2. Net* Value of Second Mortgages Outstanding	$16,895,958,872	(55)
	3. Average Size of Second Mortgages Outstanding	15,156	(**)
B.	Second Mortgage Originations, 1983		
	1. Number of Second Mortgages Originated	428,262	(54)
	2. Net* Value of Second Mortgage Originated	$8,544,032,701	(55)
	3. Average Size of Second Mortgage Originations	19,950	(**)
C.	Second Mortgage Foreclosures and Chargeoffs in 1983		
	1. Number of foreclosures	4,020	(36)
	2. Value of Second Mortgages Foreclosed	$86,028,626	(37)
	3. Gross Chargeoffs	68,571,594	(44)
	4. Net Chargeoffs	$43,612,392	(44)
D.	Foreclosure Data Reported on NSMA Membership Renewal and Application Forms		
	1. Foreclosures in 1983	4,908	(71)
	2. Number of Foreclosures as % of 1983 Outstandings		
	a. Average for all respondents	0.44%	
	b. Typical (median) response	0.55%	

* These figures may be overstated by a minor amount. In a few instances, "net" data were not available and "gross" figures were substituted -- but the differences were generally small.

** Average size data are obtained by dividing line 2 by line 1; Since the number of reporters differs, they are not very accurate. Average loan sizes computed from 79 membership application and renewal forms were: outstandings, $15,820; originations, $21,109.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1983

1983 Rates Charged	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks	Full Sample
LOAN RATES								
Highest Rate	24.00	27.50	36.00	29.00	16.14	20.73	38.00	38.00%
Lowest Rate	12.00	13.50	12.00	14.75	12.00	10.91	12.50	10.91
Typical Avg Rate	16.00	19.95	17.58	19.50	14.50	12.89	14.77	
Overall Average Rate								17.12%
LOAN/VALUE RATIOS								
Average Ratio of Loan to Appraised Equity								
HIGH	80.00	80.00	--	80.00	77.50	80.00	82.00	82.00%
LOW	70.00	65.00	--	70.00	65.00	61.21	65.00	61.21
TYPICAL	75.00	72.50	70.00	75.00	70.00	69.00	75.00	
AVERAGE								72.21%
Maximum Ratio of All Mortgages to Appraised Value of Property								
HIGH	100.00	85.00	90.00	85.00	80.00	90.00	95.00	100.00%
LOW	60.00	80.00	72.50	75.00	75.00	75.00	75.00	60.00
TYPICAL	82.50	80.00	77.50	80.00	75.00	82.50	85.00	
AVERAGE								81.30%
MATURITY								
Average Written Maturity of New Loans								
HIGH	161.00	102.50	150.00	90.00	180.00	96.00	260.00	260 mo.
LOW	60.00	60.00	82.00	81.00	84.00	24.00	37.00	24
TYPICAL	120.00	76.00	119.24	84.00	124.50	116.16	120.00	
AVERAGE								111.92mo.
Average Actual Maturity of New Loans								
HIGH	120.00	102.50	--	72.00	84.00	216.00	144.00	216 mo.
LOW	36.00	60.00	--	72.00	84.00	52.00	37.00	36
TYPICAL	60.00	77.55	40.00	72.00	84.00	90.00	60.00	
AVERAGE								79.09mo.
PERCENT OF SECOND MORTGAGES USED FOR PURCHASE MONEY								
HIGH	95.0%	0	13.40%	0	15.0%	5.0%	24.0%	95.0%
LOW	0	0	0	0	0	5.0	0	0
TYPICAL	7.5%	0	0.35%	0	7.5	5.0	0	
# OF RESPONSES	8	2	4	1	2	2	7	26
AVERAGE SIZE OF LOANS MADE IN LAST QUARTER OF 1983								
Loans to Households								
HIGH	$36,802	14,366	22,457	39,230	43,757	19,385	129,000	$129,000
LOW	10,831	4,855	14,113	14,897	21,824	15,734	7,628	4,855
TYPICAL	18,369	12,733	18,440	18,203	31,057	17,560	20,163	
# OF RESPONSES	9	5	5	4	4	2	9	38
Loans to Business								
HIGH	114,796	NA	--	--	NA	NA	56,951	$682,800
LOW	26,370	NA	--	--	NA	NA	19,231	19,231
TYPICAL	65,850	NA	84,806	682,800	NA	NA	--	--
# OF RESPONDENTS	4	0	1	1	0	0	2	8
NUMBER (AND PERCENTAGE) OF RESPONDENTS REQUIRING PRIVATE MORTGAGE INSURANCE ON SOME LOANS	1 (8%)	0 (0%)	4 (44%)	2 (33%)	1 (20%)	2 (33%)	3 (23%)	13 (22%)

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1983

I. Growth in Originations

A. Number of Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+148.13%	+104.29%	+59.33%	+29.94%	+328.57%	+301.34%	+441.12%	+441.12%
Low	-17.65	-31.27	+0.44	-38.92	-37.47	-22.24	-52.05	-52.05
Typical Average	+22.56	+31.30	+32.06	+5.56	-1.91	+42.04	+25.99	+24.13 +44.57
# responses	10	7	7	4	4	4	11	47

B. Net Value of Loans Originated

High	+46.16%	+111.86%	+109.53%	+63.05%	+387.85%	+91.70%	+442.14%	+442.14%
Low	-30.25	-33.56	+15.38	+5.63	-40.13	-28.67	-52.63	-52.63
Typical Average	+41.88	+51.05	+45.79	+10.14	+150.36	+30.05%	+49.80	+41.87 +71.52
# responses	9	6	7	4	4	3	8	42

C. Growth in Average Size of Net Loans Originated

High	+43.99%	+23.24%	+58.66%	+72.94%	+20.07%	+17.61%	+23.75%	+72.94%
Low	-48.05	-3.32	+9.71	+3.23	-9.79	-8.27	-33.16	-48.05
Typical	+22.10	+7.22	+14.88	+14.49	-4.25	+7.40	+10.69	
# responses	8	6	7	4	3	3	7	38

II. Growth in Net Outstandings

A. Number of Loans Outstanding

High	+37.76%	+28.01%	+23.6%	+62.90%	+66.46%	+5967%	+147.39%	+147.39%
Low	-13.67	-17.76	-5.02	-14.75	-1.58	-22.14	-67.22	-67.22
Typical Average	+4.25	+9.35	+6.41	+7.28	+18.49	+12.00	+7.46	+10.00 +13.03
# responses	12	6	8	4	5	4	8	47

B. Net Value of Loans Outstanding

High	+120.49%	+58.56%	+32.32%	+105.85%	+59.77%	+76.23%	+106.16%	+120.49%
Low	-28.93	-8.96	-4.00	-7.80	-3.81	-7.61	-68.69	-68.69
Typical Average	+21.44	+13.67	+22.45	+4.05	+20.42	+15.67	+21.74	+16.64 +22.00
# responses	12	5	8	4	4	4	9	46

C. Growth in Average Size of Net Loans Outstanding

High	+57.93%	+23.89	+21.02	+26.36%	+13.52%	+18.66%	+24.91%	+57.93
Low	-21.54	-13.31	+1.75	-4.82	-4.02	-0.1	-33.19	-33.19
Typical	+6.10	+5.11	+8.13	+3.46	+2.82	+8.61	+9.01	
# responses	11	5	8	4	4	4	8	44

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1983

Number of Originations in 1983	428,262 (54)
Net Value of Originations	$8,544,032,071 (51)

Average Size of Net Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	36,741	19,472	19,570	44,872	33,270	40,639	46,382	46,382
Low	5,446	6,998	10,069	7,630	15,488	16,022	5,349	5,349
Typical	17,889	12,193	16,935	15,999	28,307	23,071	22,701	--
Average								20,108
# responses	10	7	7	5	5	6	9	50

Average Size of Revolving Second Mortgage Originations

High	$35,563	--	$15,636	--	$27,987	$28,528	--	$35,563
Low	5,468	--	10,498	--	25,232	11,347	--	$5,468
Typical	18,152	--	14,126	--	26,610	20,364	--	
Average								$19,072
# responses	4	0	3	0	2	5	0	14

Percentage of Originations that Constitute Renewals (#)

High	74.31%	69.67%	76.56%	81.18%	30.45%	--	30.57%	81.18%
Low	4.88	46.27	2.44	19.68	0	--	0	0
Typical	34.39	49.42	35.29	50.43	0	14.95%	10%	--
Average								32.26
# responses	5	4	5	2	3	1	5	26

Percentage of Net Originations that are New Money ($)

High	100%	100%	100%	95.99%	100%	--	100%	100%
Low	36.51	50.54	21.81	45.36	100	--	79.07	21.8%
Typical	86.37	71.41	78.42%	90.56	100	85.3%	96.50	--
Average								80.93%
# responses	8	7	6	3	2	1	6	

TABLE 6: SECOND MORTGAGE PORTFOLIO LIQUIDATION RATES , 1983

I. Net Liquidations

A. Unadjusted for Purchases and Sales
[(equals originations minus change in net outstandings)/(average net outstandings)]

	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks
High	79.98%	54.95%	52.80%	49.28%	25.26%	--	41.33%
Low	31.36	17.19	35.81	10.01	5.87	--	20.80
Typical	41.61	34.78	42.00	47.78	17.78	21.72%	33.60
# of responses	10	5	7	3	3	1	3+

B. Adjusted for Purchases and Sales, but not renewals

High	53.93%	48.80%	54.06%	--	17.78%	--	80.74%
Low	38.85	34.79	42.00	--	15.53	--	20.80
Typical	44.84	47.41	44.57	49.28	16.65	54.85%	41.33%
# of responses	7	3	5	1	2	1	3

C. Adjusted for Purchases and Sales and Renewals (Cash Liquidations)

High	39.40%	35.33%	32.13%	N.A.	--	--	53.13%
Low	30.48	28.08	13.92	N.A.	--	--	33.58
Typical	32.65	28.77	27.81	N.A.	10.23%	49.75%	43.35
# of responses	6	3	4	0	1	1	2

+ Only those mortgage banks providing "reasonable" (unadjusted values) were reported in the "unadjusted" row. Four additional mortgage banks provided numbers that implied unrealistic liquidation rates if purchases and sales were ignored -- but, of course, purchases and sales can't be ignored for most mortgage banks.

TABLE 7: Secondary Market Activity in Second Mortgages, 1983

(Number of respondents)

I. Second Mortgages Purchased

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$726,118,982 (19)	$38,216,789	+20.2% (14)
Gross Dollar Amount*	83,088,011 (3)	27,696,003	--
Number of Loans	53,803 (20)	2,690	-5.8% (17)
Average Net Loan Size per Respondent	$16,090 (17)	--	--
Net Plus Gross Total Value*	$809,206,993 (22)	36,782,136	--

II. Second Mortgages Sold

Dollar Amount	$321,643,922 (13)	24,741,802	+17.7% (8)
Number of Loans	11,456 (11)	1,041	-9.7% (8)
Average Loan Size per Respondent	$22,272 (11)	--	

III. Second Mortgages Serviced

Net Dollar Amount	$684,455,714 (14)	$48,889,694	+18.3% (11)
Number of Loans	48,009 (15)	3,201	-6.6% (11)
Average Net Loan Size per Respondent	19,923 (14)	--	
Net Plus Gross Total Value**	$684,455,714 (14)	$48,889,694	

IV. Servicing Fees on Second Mortgages

	Typical	High	Low
Total Reported Fees	$15,699,507 (8)		
As % of Net Second Mortgages Serviced	2.42% (5)	12.55%	0.61%
Per Second Mortgage Serviced	$367.26 (5)	$1,622.63	$128.54

* Gross values are used only for respondents who did not also report "net" data on a "net" basis.

** In this case all those reporting "gross" figures also reported "net" figures, so the total equals the "net" data total.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1983	Year-end 1982
Value of Loans Held	$573,784,482	$305,795,733
# of Loans Held	82,357	64,661
# of Holders	16	6
Typical Average Loan Size	$14,855.94	$10,735.55
Average *Size per Respondent	$15,092.16	$10,709.18

II. Revolving Loan Originations

	in 1983	in 1982
Value	$385,338,489	$60,967,336
# of Loans	23,649	5,171
# of Originatons	15	4
Typical Average Loan Size	$18,000.23	$12,954.63
Average *Size per Respondent	$19,072.32	$11,438.98

III. Percentage Growth in Revolving Second Mortgages

	Outstandings		Originations	
	#	$	#	$
High	229.4%	356.4%	+15800.0%	+34,958.1%
Low	-34.0%	-37.5%	+139.4%	+256.4%
Typical	-4.8%	+5.6%	+599.5%	+713.4%

* This average equals the sum of average loan sizes reported by each respondent divided by the number of repondents.

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

I. Adjustable Rate Second Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$1,777,041,937 (21)	55,942 (16)	$33,843.46 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718.18 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender*

	# (and %) Respondents of each type that offered ARMs	Prime Rate	T-Bill rate 3mo.	6mo.	1yr.	T-Bond Rate, 10yr.	Other
LBFCo.s	6 (50%)	6					
SBFCo.s	0 (0%)						
Other LFCo.s	4 (44%)	3		1		1	Co. Base Rate
Other SFCo.s	1 (17%)	1					
Commercial Banks	3 (60%)	2	1				CD rate
Thrift Institutions	5** (71%)	1	1	3	1		FHLB Cost of Funds
Mortgage Banks	3 (23%)		1	2			FHLB Mort. Index

III. Balloon Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$435,345,122 (22)	11,457 (18)	$27,987.14 (19)	34.40% (7)	10.16% (5)
1982	180,445,862 (7)	3,072 (5)	$26,422.62 (5)	--	--

* Some lenders used multiple indexes, see Table 10.

** Includes one response received after Oct. 1

secondary markets, revolving credit, adjustable rate and balloon notes; indirect lending and the use of private mortgage insurance; second mortgage delinquency, foreclosure, and loss rates; and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, finance rates, delinquency rates, and foreclosures. The data presented was much more detailed this year than in the past surveys because of revisions in the questionnaire.

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Holders of under $100 million in seconds (SBF Co.)		7		
Other Finance Companies			15	
Holders of over $100 million in seconds (LF Co.)		9		
Holders of under $100 million in seconds (SF Co.)		6		
Commercial Banks				5
Thrift Institutions (Savings & Loans and Savings Banks, including commercial bank subsidiaries)				6
Mortgage Bankers and Related Institutions -- including subsidiaries of banks, thrifts, and others				13
Self-defined mortgage banks			11	
Mortgage "broker" servicing seconds			1	
Issuer of Mortgage-backed securities			1	
TOTAL *				58

* Includes all responses providing numeric dated that were received before Oct. 1, 1984. Another savings & loan second mortgage originator responded subsequently. An additional half dozen responses were received from title insurance companies, mortgage insurors, and credit reporting agencies which did not contain numeric data.

TABLE 2: KEY SUMMARY STATISTICS ON 1983 SECOND MORTGAGE ACTIVITY

A. Second Mortgages Outstanding at Year-End 1983		
1. Number of Second Mortgages Outstanding	1,114,841	(54)
2. Net* Value of Second Mortgages Outstanding	$16,895,958,872	(55)
3. Average Size of Second Mortgages Outstanding	15,156	(**)
B. Second Mortgage Originations, 1983		
1. Number of Second Mortgages Originated	428,262	(54)
2. Net* Value of Second Mortgage Originated	$8,544,032,701	(55)
3. Average Size of Second Mortgage Originations	19,950	(**)
C. Second Mortgage Foreclosures and Chargeoffs in 1983		
1. Number of foreclosures	4,020	(36)
2. Value of Second Mortgages Foreclosed	$86,028,626	(37)
3. Gross Chargeoffs	68,571,594	(44)
4. Net Chargeoffs	$43,612,392	(44)
D. Foreclosure Data Reported on NSMA Membership Renewal and Application Forms		
1. Foreclosures in 1983	4,908	(71)
2. Number of Foreclosures as % of 1983 Outstandings		
a. Average for all respondents	0.44%	
b. Typical (median) response	0.55%	

* These figures may be overstated by a minor amount. In a few instances, "net" data were not available and "gross" figures were substituted -- but the differences were generally small.

** Average size data are obtained by dividing line 2 by line 1; Since the number of reporters differs, they are not very accurate. Average loan sizes computed from 79 membership application and renewal forms were: outstandings, $15,820; originations, $21,109.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1983

1983 Rates Charged	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks	Full Sample
LOAN RATES								
Highest Rate	24.00	27.50	36.00	29.00	16.14	20.73	38.00	38.00%
Lowest Rate	12.00	13.50	12.00	14.75	12.00	10.91	12.50	10.91
Typical Avg Rate	16.00	19.95	17.58	19.50	14.50	12.89	14.77	
Overall Average Rate								17.12%
LOAN/VALUE RATIOS								
Average Ratio of Loan to Appraised Equity								
HIGH	80.00	80.00	--	80.00	77.50	80.00	82.00	82.00%
LOW	70.00	65.00	--	70.00	65.00	61.21	65.00	61.21
TYPICAL	75.00	72.50	70.00	75.00	70.00	69.00	75.00	
AVERAGE								72.21%
Maximum Ratio of All Mortgages to Appraised Value of Property								
HIGH	100.00	85.00	90.00	85.00	80.00	90.00	95.00	100.00%
LOW	60.00	80.00	72.50	75.00	75.00	75.00	75.00	60.00
TYPICAL	82.50	80.00	77.50	80.00	75.00	82.50	85.00	
AVERAGE								81.30%
MATURITY								
Average Written Maturity of New Loans								
HIGH	161.00	102.50	150.00	90.00	180.00	96.00	260.00	260 mo.
LOW	60.00	60.00	82.00	81.00	84.00	24.00	37.00	24
TYPICAL	120.00	76.00	119.24	84.00	124.50	116.16	120.00	
AVERAGE								111.92mo.
Average Actual Maturity of New Loans								
HIGH	120.00	102.50	--	72.00	84.00	216.00	144.00	216 mo.
LOW	36.00	60.00	--	72.00	84.00	52.00	37.00	36
TYPICAL	60.00	77.55	40.00	72.00	84.00	90.00	60.00	
AVERAGE								79.09mo.
PERCENT OF SECOND MORTGAGES USED FOR PURCHASE MONEY								
HIGH	95.0%	0	13.40%	0	15.0%	5.0%	24.0%	95.0%
LOW	0	0	0	0	0	5.0	0	0
TYPICAL	7.5%	0	0.35%	0	7.5	5.0	0	
# OF RESPONSES	8	2	4	1	2	2	7	26
AVERAGE SIZE OF LOANS MADE IN LAST QUARTER OF 1983								
Loans to Households								
HIGH	$36,802	14,366	22,457	39,230	43,757	19,385	129,000	$129,000
LOW	10,831	4,855	14,113	14,897	21,824	15,734	7,628	4,855
TYPICAL	18,369	12,733	18,440	18,203	31,057	17,560	20,163	
# OF RESPONSES	9	5	5	4	4	2	9	38
Loans to Business								
HIGH	114,796	NA	--	--	NA	NA	56,951	$682,800
LOW	26,370	NA	--	--	NA	NA	19,231	19,231
TYPICAL	65,850	NA	84,806	682,800	NA	NA	--	--
# OF RESPONDENTS	4	0	1	1	0	0	2	8
NUMBER (AND PERCENTAGE) OF RESPONDENTS REQUIRING PRIVATE MORTGAGE INSURANCE ON SOME LOANS								
	1 (8%)	0 (0%)	4 (44%)	2 (33%)	1 (20%)	2 (33%)	3 (23%)	13 (22%)

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1983

I. Growth in Originations

A. Number of Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+148.13%	+104.29%	+59.33%	+29.94%	+328.57%	+301.34%	+441.12%	+441.12%
Low	-17.65	-31.27	+0.44	-38.92	-37.47	-22.24	-52.05	-52.05
Typical	+22.56	+31.30	+32.06	+5.56	-1.91	+42.04	+25.99	+24.13
Average								+44.57
# responses	10	7	7	4	4	4	11	47

B. Net Value of Loans Originated

High	+46.16%	+111.86%	+109.53%	+63.05%	+387.85%	+91.70%	+442.14%	+442.14%
Low	-30.25	-33.56	+15.38	+5.63	-40.13	-28.67	-52.63	-52.63
Typical	+41.88	+51.05	+45.79	+10.14	+150.36	+30.05%	+49.80	+41.87
Average								+71.52
# responses	9	6	7	4	4	3	8	42

C. Growth in Average Size of Net Loans Originated

High	+43.99%	+23.24%	+58.66%	+72.94%	+20.07%	+17.61%	+23.75%	+72.94%
Low	-48.05	-3.32	+9.71	+3.23	-9.79	-8.27	-33.16	-48.05
Typical	+22.10	+7.22	+14.88	+14.49	-4.25	+7.40	+10.69	
# responses	8	6	7	4	3	3	7	38

II. Growth in Net Outstandings

A. Number of Loans Outstanding

High	+37.76%	+28.01%	+23.6%	+62.90%	+66.46%	+5967%	+147.39%	+147.39%
Low	-13.67	-17.76	-5.02	-14.75	-1.58	-22.14	-67.22	-67.22
Typical	+4.25	+9.35	+6.41	+7.28	+18.49	+12.00	+7.46	+10.00
Average								+13.03
# responses	12	6	8	4	5	4	8	47

B. Net Value of Loans Outstanding

High	+120.49%	+58.56%	+32.32%	+105.85%	+59.77%	+76.23%	+106.16%	+120.49%
Low	-28.93	-8.96	-4.00	-7.80	-3.81	-7.61	-68.69	-68.69
Typical	+21.44	+13.67	+22.45	+4.05	+20.42	+15.67	+21.74	+16.64
Average								+22.00
# responses	12	5	8	4	4	4	9	46

C. Growth in Average Size of Net Loans Outstanding

High	+57.93%	+23.89	+21.02	+26.36%	+13.52%	+18.66%	+24.91%	+57.93
Low	-21.54	-13.31	+1.75	-4.82	-4.02	-0.1	-33.19	-33.19
Typical	+6.10	+5.11	+8.13	+3.46	+2.82	+8.61	+9.01	
# responses	11	5	8	4	4	4	8	44

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1983

Number of Originations in 1983	428,262 (54)
Net Value of Originations	$8,544,032,071 (51)

Average Size of Net Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	36,741	19,472	19,570	44,872	33,270	40,639	46,382	46,382
Low	5,446	6,998	10,069	7,630	15,488	16,022	5,349	5,349
Typical	17,889	12,193	16,935	15,999	28,307	23,071	22,701	--
Average								20,108
# responses	10	7	7	5	5	6	9	50

Average Size of Revolving Second Mortgage Originations

High	$35,563	--	$15,636	--	$27,987	$28,528	--	$35,563
Low	5,468	--	10,498	--	25,232	11,347	--	$5,468
Typical	18,152	--	14,126	--	26,610	20,364	--	
Average								$19,072
# responses	4	0	3	0	2	5	0	14

Percentage of Originations that Constitute Renewals (#)

High	74.31%	69.67%	76.56%	81.18%	30.45%	--	30.57%	81.18%
Low	4.88	46.27	2.44	19.68	0	--	0	0
Typical	34.39	49.42	35.29	50.43	0	14.95%	10%	--
Average								32.26
# responses	5	4	5	2	3	1	5	26

Percentage of Net Originations that are New Money ($)

High	100%	100%	100%	95.99%	100%	--	100%	100%
Low	36.51	50.54	21.81	45.36	100	--	79.07	21.8%
Typical	86.37	71.41	78.42%	90.56	100	85.3%	96.50	--
Average								80.93%
# responses	8	7	6	3	2	1	6	

TABLE 6: SECOND MORTGAGE PORTFOLIO LIQUIDATION RATES , 1983

I. Net Liquidations

A. Unadjusted for Purchases and Sales
[(equals originations minus change in net outstandings)/(average net outstandings)]

	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks
High	79.98%	54.95%	52.80%	49.28%	25.26%	--	41.33%
Low	31.36	17.19	35.81	10.01	5.87	--	20.80
Typical	41.61	34.78	42.00	47.78	17.78	21.72%	33.60
# of responses	10	5	7	3	3	1	3+

B. Adjusted for Purchases and Sales, but not renewals

High	53.93%	48.80%	54.06%	--	17.78%	--	80.74%
Low	38.85	34.79	42.00	--	15.53	--	20.80
Typical	44.84	47.41	44.57	49.28	16.65	54.85%	41.33%
# of responses	7	3	5	1	2	1	3

C. Adjusted for Purchases and Sales and Renewals (Cash Liquidations)

High	39.40%	35.33%	32.13%	N.A.	--	--	53.13%
Low	30.48	28.08	13.92	N.A.	--	--	33.58
Typical	32.65	28.77	27.81	N.A.	10.23%	49.75%	43.35
# of responses	6	3	4	0	1	1	2

+ Only those mortgage banks providing "reasonable" (unadjusted values) were reported in the "unadjusted" row. Four additional mortgage banks provided numbers that implied unrealistic liquidation rates if purchases and sales were ignored -- but, of course, purchases and sales can't be ignored for most mortgage banks.

TABLE 7: Secondary Market Activity in Second Mortgages, 1983

(Number of respondents)

I. Second Mortgages Purchased

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$726,118,982 (19)	$38,216,789	+20.2% (14)
Gross Dollar Amount*	83,088,011 (3)	27,696,003	--
Number of Loans	53,803 (20)	2,690	-5.8% (17)
Average Net Loan Size per Respondent	$16,090 (17)	--	--
Net Plus Gross Total Value*	$809,206,993 (22)	36,782,136	--

II. Second Mortgages Sold

Dollar Amount	$321,643,922 (13)	24,741,802	+17.7% (8)
Number of Loans	11,456 (11)	1,041	-9.7% (8)
Average Loan Size per Respondent	$22,272 (11)	--	

III. Second Mortgages Serviced

Net Dollar Amount	$684,455,714 (14)	$48,889,694	+18.3% (11)
Number of Loans	48,009 (15)	3,201	-6.6% (11)
Average Net Loan Size per Respondent	19,923 (14)	--	
Net Plus Gross Total Value**	$684,455,714 (14)	$48,889,694	

IV. Servicing Fees on Second Mortgages

	Typical	High	Low
Total Reported Fees	$15,699,507 (8)		
As % of Net Second Mortgages Serviced	2.42% (5)	12.55%	0.61%
Per Second Mortgage Serviced	$367.26 (5)	$1,622.63	$128.54

---

* Gross values are used only for respondents who did not also report "net" data on a "net" basis.

** In this case all those reporting "gross" figures also reported "net" figures, so the total equals the "net" data total.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1983	Year-end 1982
Value of Loans Held	$573,784,482	$305,795,733
# of Loans Held	82,357	64,661
# of Holders	16	6
Typical Average Loan Size	$14,855.94	$10,735.55
Average *Size per Respondent	$15,092.16	$10,709.18

II. Revolving Loan Originations

	in 1983	in 1982
Value	$385,338,489	$60,967,336
# of Loans	23,649	5,171
# of Originatons	15	4
Typical Average Loan Size	$18,000.23	$12,954.63
Average *Size per Respondent	$19,072.32	$11,438.98

III. Percentage Growth in Revolving Second Mortgages

	Outstandings		Originations	
	#	$	#	$
High	229.4%	356.4%	+15800.0%	+34,958.1%
Low	-34.0%	-37.5%	+139.4%	+256.4%
Typical	-4.8%	+5.6%	+599.5%	+713.4%

* This average equals the sum of average loan sizes reported by each respondent divided by the number of repondents.

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

I. Adjustable Rate Second Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$1,777,041,937 (21)	55,942 (16)	$33,843.46 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718.18 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender*

	# (and %) Respondents of each type that offered ARMs	Prime Rate	T-Bill rate 3mo.	6mo.	1yr.	T-Bond Rate, 10yr.	Other
LBFCo.s	6 (50%)	6					
SBFCo.s	0 (0%)						
Other LFCo.s	4 (44%)	3		1		1	Co. Base Rate
Other SFCo.s	1 (17%)	1					
Commercial Banks	3 (60%)	2	1				CD rate
Thrift Institutions	5** (71%)	1	1	3	1		FHLB Cost of Funds
Mortgage Banks	3 (23%)		1	2			FHLB Mort. Index

III. Balloon Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$435,345,122 (22)	11,457 (18)	$27,987.14 (19)	34.40% (7)	10.16% (5)
1982	180,445,862 (7)	3,072 (5)	$26,422.62 (5)	--	--

* Some lenders used multiple indexes, see Table 10.

** Includes one response received after Oct. 1

TABLE 10: RATE INDICES USED TO ADJUST SECOND MORTGAGE ARM'S IN 1983

I. BANKS

A. 3mo. CD rate in secondary market (80% of all loans) or prime, as advertised in NY Times.
B. Wall Street Prime
C. Average auction rate for U.S. Treasury bills

II. THRIFTS

A. Revolving rates based on prime
A. Closed mortgage rates based on 1-year T-bills
B. 6 month T-bill
C. 91 day T-bill plus 4%
D. 6 month T-bill
E. 6 month average of weekly auction rates of 6-mo. T-bills
F. Eleventh District FHLBB Cost of Funds Index

III. MORTGAGE BANKS

A. 3 month T-bill
A. Federal Home Loan Mortgage Index
B. 6-month T-bills
C. 6 month T-bills

IV. LARGE FINANCE COMPANIES

A. The company's base market rate
B. Two indices: (1) based on the change of the 6-month T-bill rate with the base being the rate at the time the loan was originated; (2) based on the change of the weighted average of 2 components -- 6 month T-bill and 10-year T-bond rates -- with the base being the rates at the time the loan was originated.
C. Prime Rate
D. Some rates vary with U.S. Prime Rate
E. Prime Rate

V. SMALLER FINANCE COMPANIES

A. Fixed percentage above prime lending rate

LARGE BANK-AFFILIATED FINANCE COMPANIES

A. Based upon prime lending rate
B. Average prime rate of NY City Banks, as published in the Wall Street Journal
C. Prime Rate
D. U.S. National Bank's Prime Rate
E. Clearing Bank lending rate
F. Citibank Prime

TABLE 11: INDIRECT LENDING AND SUBORDINATION OF SECOND MORTGAGE DEBT

I. Indirect Lending as Percentage of Total Loan Value

	Outstanding	Originated
High	100%	100%
Low	0%	0%
Typical	0%	0%
# good responses	15	26
# 100% direct	10	16

Non-zero responses by:

C. Banks - 1:100% indirect
LBF Co's - 3:44%,35%,21% indirect
LFCo's - 1:100% indirect

M. Banks - 1:100%
LBF Co's - 3:5.9%, 16.7%, 100%
LBF Co's - 3:5%, 11.1%, 42.3%
SBF Co's - 3:0.4%, 15.7%, 100%

II. Percent of Second Mortgages taken as:

	First Lien ($)	First Lien ($)	Third or Greater Lien ($)	Third or Greater Lien ($)	Second Lien ($)
High	38.84%	35.42%	10.99%	13.02%	100%
Low	0	0	0	0	61.16
Typical	0	0	0	0	100%
# responses	15	16	15	16	15
# non-zero or 100% responses	6	6	2	2	6

TABLE 12: LENDERS'POLICIES REGULATING THE USAGE OF PRIVATE MORTGAGE INSURANCE POLICIES

(Each letter refers to one response by a lender of the indicated type.)

I. BANKS

A. All loans exceeding 65% LTV require PMI down to 65% LTV or minimum 25% coverage

II. THRIFTS

A. None
B. Required on all loans over 75% CLTV; Maximum 90%
C. All loans with LTV over 80% and business for self loans over 50% LTV must have PMI coverage.

III. MORTGAGE BANKS

A. When total mortgage encumbrance to value exceeds 80% on owner occupied property, we can go to 90% with PMI. On non-owner occupied property, when total mortgage encumbrance exceeds 70%, we can go to 80% with PMI.
B. Will write as required by investor policy
C. If we can get it, we will.
D. LTV of 65% to 80% = 25% PMI coverage: LTV of 80.01% to 90% = 100% PMI coverage

IV. LARGE FINANCE COMPANIES

A. PMI is required on all 2nd mortgages where the LTV ratio is greater than 75%; however, even with PMI, the maximum LTV ratio is 85%.
B. Life, disability, household contents, dwelling, and real estate loan coverage is sold wherever permitted by state law and within confines of company policy.
C. Insure loans exceeding 80% CLTV, down to 70% appraised value.
D. Insure to a level 5% below our standard guideline

V. SMALL FINANCE COMPANIES

A. Loans with loan to value ratio above 70% are insured down to 65%
B. Residential loan with CLTV of more than 80% -- non-owner occupied with CLTV of more than 65%.

VI. LARGE BANK FINANCE COMPANIES

A. PMI no longer required
B. The certificate cannot insure more than 80% of the original principal balance of a loan with a combined loan to value between 75% and 85%, 50% coverage on loans with a CLTV between 65% and 75%, with a minimum amount financed of $10,000 and a maximum of $150,000. The minimum maturity is 60 months and the maximum is 180 months.

TABLE 13: SECOND MORTGAGE DELINQUENCY RATES, YEAR-END 1983

	Bank Fin. Co. Large Holders	Bank Fin. Co. Smaller Holders	Other Fin. Co. Large Holders	Other Fin. Co. Small Holders	Commerical Banks	Thrifts	Mortgage Banks	All Respondents
Total Delinquencies over 60 days ($1)								
High	5.84%	10.58%	4.73%	19.27%	0.62%	1.89%	22.67%	22.67%
Low	0.99	0.27	0.72	0	0	0.29	0	0
Typical	2.44	0.95	2.76	3.13	0.35	1.31	0.50	2.42
# Respondents	11	5	5	3	3	3	6	36
Total Delinquencies Over 60 Days (#)								
High	5.95%	10.04%	6.04%	19.27%	0.59%	1.94%	18.58%	19.27%
Low	1.16	0.90	0.74	3.98	0	0.33	0	0
Typical	2.62	3.22	3.02	5.04	0.08	1.10	0.17	3.12
# respondents	11	5	5	4	3	3	5	36
Delinquencies From 60-89 Days Overdue ($)								
High	1.46	2.71	1.43%	13.96%	0	0.37%	2.81%	13.96%
Low	0.21	0.26	0.30	0.65	0	.20	0	0
Typical	0.57	0.68	0.42	1.79	0	0.24	0.20	0.50
# respondents	11	5	4	4	3	3	6	36
Delinquencies from 60-89 Days (#)								
High	2.06%	1.27%	1.83%	13.98%	0.07%	0.38%	1.15%	13.98%
Low	0.20	0.32	0.27	0.96	0	0.20	0	0
Typical	0.58	0.60	0.51	1.02	0.03	0.27	0.06	0.59
# respondents	11	5	4	3	3	3	5	34

* Because some mortgage banks reported delinquencies on serviced loans, extremly high reported delinquency rates were omitted from this category.

NOTE: "Large holders' hold more than $100 million in second mortgage net oustandings, "small holders" hold less than $100 million in second mortgages.

TABLE 20: PROFITABILITY OF SECOND MORTGAGE LENDERS, 1983

PRETAX INCOME AS % OF AVERAGE EQUITY

For Second Mortgages Only

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High		84.26%					47.82%
Low		24.25					41.62
Typical	41.55%	54.25	22.76%				44.72
#	1	2	1		0	0	2

For Full Portfolio

High	79.41%	108.42%	31.55%	22.34%			126.15%
Low	11.73	23.17	1.29	6.62			41.62
Typical	29.74	29.47	20.25	13.64	14.30		51.34
#	9	5	6	4	1	0	5

PRETAX INCOME AS % OF AVERAGE OUTSTANDINGS

For Second Mortgages Only

High	10.32%	7.58%					57.38%
Low	0.17	3.65					4.18
Typical	5.80	5.47	3.32%	3.19%	2.02%		30.78
#	3	3	1	1	1	0	2

For Full Portfolio

High	21.84%	73.47%	7.21%	3.84%			57.38%
Low	0.26	3.65	0.40	2.62			4.18
Typical	4.48	5.40	3.18	3.32	11.29%		10.51
#	10	6	6	3	1	0	4

TABLE 21: INTEREST INCOME AND EXPENSE OF SECOND MORTGAGE LENDERS, 1983

Gross Interest Income as Percent of Average Second Mortgage Receivables

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	20.42%	23.66%	23.16%	18.05%	20.44%		15.86%
Low	15.15	17.65	16.11	16.35	13.05		9.84
Typical	18.13	18.36	18.95	17.20	16.77%		14.09
#	4	3	6	2	2	0	6

Average Portfolio Outstandings

High	21.01%	29.70%	23.67%	24.94%			19.26%
Low	11.47	20.38	15.91	17.39			13.62
Typical	18.31	23.92	20.54	21.00	13.35%	16.21%	15.00
#	9	5	7	3	1	1	6

Gross Interest Expense as % of Borrowings to Carry Second Mortgages

High	12.19%	12.04%	10.88%				12.26%
Low	10.45	9.53	4.76				8.50
Typical	11.41	10.79	8.00			18.44%	10.87%
#	4	2	3	0	0	1	3

Total Borrowings

High	12.23	12.38%	14.14%	11.81%	12.54%		18.05%
Low	9.18	9.46	4.76	11.01	3.58		8.50
Typical	11.03	10.61	9.62	11.51	8.06		11.81
#	9	6	7	3	2	0	5

TABLE 22: SECOND MORTGAGE LENDERS' REVENUES, 1983

Total Revenues Related to Second Mortgages/Average Net Second Mortgage Holdings

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	20.61%	24.27%	23.31%	23.75%			59.20%
Low	15.82	18.91	16.20	16.76			12.75
Typical	16.99	18.92	19.46	20.26	14.07%		16.26
#	3	3	6	2	1		6

Total Revenues/Average Net Portfolio Holdings

High	47.17%	123.66%	26.24%	27.45%			59.20%
Low	11.68	23.50	15.97	18.43			14.24
Typical	21.50	29.54	21.30	26.69	14.69%	17.40%	33.99
#	10	6	7	3	1	1	5

Sources of Income, Typical Values (#of respondents)

	Gross Interest		Service Fees		
	% of Avg Net Seconds Held	% of Avg Portfolio Holdings	% of Avg. Net Seconds Held	% of Avg. Portfolio Holdings	% of Net Seconds Serviced
LBFCo's	18.13% (4)	18.31% (9)	0% (3)	0% (2)	(0)
SBFCo's	18.36 (3)	23.92 (5)	0.51 (1)	0.13 (2)	(0)
LFCo's	18.95 (6)	20.54 (7)	0 (5)	0 (5)	0% (2)
SFCo's	17.20 (2)	21.00 (3)	0 (3)	0.03 (3)	4.22 (1)
CBanks	16.77 (2)	13.35 (1)	0.59 (1)	0.05 (1)	(0)
Thrifts	(0)	16.21 (1)	1.50 (1)	(0)	12.55 (1)
M.Banks	14.09 (6)	15.00 (6)	2.20 (5)	7.58 (4)	0.48 (4)

	Origination Fees			Insurance & Other Revenues		
	% of Avg Net Seconds Held	% of Avg Net Port. Holdings	% of Avg Net Seconds Originated	% of Avg. Net Seconds Held	% of Avg. Net Port. Holdings	% of Net Seconds Originated
LBFC's	0.62% (2)	0.42% (2)	1.16% (2)	0.21% (2)	1.00% (9)	0.55% (2)
SBFC's	0.55 (2)	0.25 (3)	1.19% (2)	0.78 (1)	3.40 (1)	1.63 (1)
LFCo's	0.55 (3)	0.65 (3)	1.28 (3)	1.49 (1)	0.71 (5)	0.24 (1)
SFCo's	0 (1)	0 (1)	0 (1)	0.65 (1)	0.76 (3)	5.79 (1)
CBanks	0.37 (1)	0.40 (1)	1.34 (2)			
Thrifts	0.55 (2)	0.74 (1)	1.46 (1)	0.06 (1)	0.45 (1)	0.17 (1)
M.Banks	3.55 (6)	5.31 (5)	1.27 (7)	0.31 (5)	0.31 (5)	0.49 (5)

TABLE 23: KEY STATE DATA 1983

(Number of Respondents for Each Item is Given in Parentheses)

STATE	(1) Total Reported Outstandings	(2) Total Reported Originations	(3) Average APR	(4) Average 60 60 day + Delinquency Rate	(5) Number of Foreclosures
1.Alabama	$171,447,122 (13)	$90,455,817 (12)	17.88% (8)	1.88% (9)	20 (5)
2.Alaska	1,802,000 (1)	1,029,829 (1)	19.44 (1)	0.27 (1)	- -
3.Arizona	361,029,507 (13)	150,795,874 (11)	16.33 (10)	2.10 (10	150 (5)
4.Arkansas					
5.California	2,473,708,373 (15)	1,005,804,210 (13)	17.35 (10)	2.91 (12)	584 (9)
6.Colorado	473,336,143 (13)	206,187,341 (11)	17.18 (10)	2.06 (11)	117 (7)
7.Connecticut	92,445,891 (9)	48,681,922 (7)	16.95 (7)	1.31 (8)	14 (3)
8.Delaware	31,671,248 (9)	16,269,030 (7)	18.40 (5)	1.10 (5)	1 (2)
9.Florida	607,034,054 (17)	258,515,318 (15)	16.52 (12)	2.15 (11)	146 (9)
10.Georgia	167,574,611 (14)	63,018,836 (13)	19.05 (11)	0.66 (8)	11 (6)
11.Hawaii	40,191,000 (2)	22,605,160 (2)	16.56 (2)	1.10 (2)	
12.Idaho	36,930,326 (8)	17,154,280 (6)	18.26 (6)	3.42 (7)	5 (2)
13.Illinois	182,661,008 (11)	93,794,552 (9)	18.24 (7)	3.25 (8)	5 (5)
14.Indiana	200,744,362 (13)	100,642,700 (10)	18.50 (6)	3.56 (10)	34 (6)
15.Iowa	77,019,763 (7)	31,730,365 (60	18.23 (5)	3.77 (6)	11 (1)
16.Kansas	108,397,681 (11)	41,251,901 (9)	17.97 (7)	2.98 (9)	37 (3)
17.Kentucky	32,209,490 (12)	17,461,892 (10)	19.91 (7)	1.28 (9)	2 (3)
18.Louisiana	159,772,100 (14)	65,505,821 (12)	18.29 (9)	2.74 (10)	45 (7)
19.Maine					
20.Maryland	243,339,504 (12)	112,462,521 (11)	17.90% (9)	1.10% (10)	4 (5)
21.Massachusetts	92,629,026 (9)	68,126,660 (8)	17.26 (6)	1.68 (6)	
22.Michigan	20,097,804 (3)	19,192,914 (4)	20.49 (2)	0.34 (3)	0 (1)
23.Minnesota	100,826,547 (8)	67,656,093 (7)	17.28 (6)	2.39 (7)	2 (2)
24.Mississippi	76,676,308 (11)	33,043,009 (10)	19.36 (6)	3.48 (7)	6 (4)

25.Missouri	86,628,005 (9)	41,118,982 (7)	17.97 (6)	2.46 (8)	20 (2)
26.Montana	14,440,014 (4)	10,082,559 (6)	17.18 (3)	3.00 (4)	4 (1)
27.Nebraska	23,654,277 (5)	3,421,964 (5)	19.58 (4)	3.59 (5)	4 (1)
28.Nevada	33,850,548 (5)	19,282,438 (5)	16.34 (4)	1.56 (5)	1 (2)
29.New Hampshire	45,082,536 (5)	20,898,660 (4)	17.33 (3)	1.94 (4)	2 (1)
30.New Jersey	396,021,359 (10)	206,637,385 (8)	16.28 (6)	1.90 (8)	48 (5)
31.New Mexico	43,926,004 (9)	21,747,362 (8)	17.99 (7)	1.36 (8)	12 (3)
32.New York	203,955,073 (11)	139,288,775 (10)	17.24 (7)	1.11 (10)	21 (5)
33.North Carolina	303,356,460 (12)	107,384,698 (10)	17.41 (8)	0.43 (9)	40 (7)
34.North Dakota	21,000 (1)	8,006 (1)		0 (1)	
35.Ohio	527,276,319 (12)	296,332,079 (10)	17.59 (8)	2.29 (11)	60 (5)
36.Oklahoma	196,864,739 (13)	106,043,794 (11)	18.03 (9)	2.22 (10)	37 (5)
37.Oregon	131,599,003 (11)	52,485,623 (9)	17.01% (8)	3.24% (10)	81 (5)
38.Pennsylvania	528,354,206 (13)	275,674,503 (12)	19.28 (9)	2.13 (12)	30 (7)
39.Rhode Island	19,720,337 (5)	12,546,112 (5)	17.37 (3)	0.99 (4)	
40.South Carolina	183,441,716 (14)	99,639,539 (12)	18.12 (10)	0.86 (9)	23 (7)
41.South Dakota	6,248,826 (4)	2,133,035 (3)	18.58 (3)	3.90 (4)	2 (1)
42.Tennessee	138,409,720 (12)	68,531,359 (10)	17.63 (8)	1.35 (6)	29 (5)
43.Texas	66,012,968 (10)	52,570,102 (10)	13.85 (6)	0.21 (5)	2 (3)
44.Utah	90,044,264 (10)	42,801,931 (9)	17.13 (8)	12.13 (8)	126 (4)
45.Vermont	2,159,000 (1)		20.60 (1)	1.60 (1)	
46.Virginia	287,150,158 (13)	116,729,632 (11)	17.41 (8)	1.02 (10)	17 (7)
47.Washington	136,719,873 (9)	76,766,452 (7)	17.87 (6)	2.44 (9)	10 (4)
48.West Virginia	23,929,165 (7)	14,160,704 (4)	18.27 (3)	3.26 (6)	6 (2)
49.Wisconsin	146,360,919 (9)	97,325,768 (8)	18.18 (7)	2.51 (7)	11 (3)
50.Wyoming	24,015,116 (5)	5,157,575 (3)	18.04 (3)	4.59 (4)	
51.Washinton D.C.	9,357,320 (2)	5,166,000 (2)	14.57 (2)	3.35 (1)	2 (1)
52.Ontario	1,540,900 (1)	1,223,200 (1)	20.00 (1)		
53.Puerto Rico	59,500 (1)			0.0 (1)	0 (1)

TABLE 24A: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Ratio of Property Sold to Foreclosures	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings
1.Alabama	55.85% (11)	127.52% (9)	80.77% (2)	0.68% (5)	89.38% (10)
2.Alaska	57.15% (1)	128.79% (1)	----------	---------	9.95% (1)
3.Arizona	54.99% (11)	97.34% (11)	78.77% (5)	2.37% (5)	108.02% (11)
4.Arkansas	----------	----------	----------	---------	----------
5.California	42.57% (12)	84.74% (12)	59.16% (6)	2.13% (7)	169.91% (12)
6.Colorado	55.75% (11)	112.91% (11)	88.43% (6)	2.50% (7)	102.77% (11)
7.Connecticut	50.40% (6)	96.65% (6)	65.39% (2)	0.85% (3)	93.17% (7)
8.Delaware**	80.32% (6)**	180.65% (6)**	100.00% (1)	0.22% (2)	41.14% (6)
9.Florida	40.16% (14)	85.79% (13)	241.76% (6)	1.28% (7)	99.92% (13)
10.Georgia	49.63% (12)	75.31% (9)	83.33% (3)	0.66% (6)	31.02% (9)
11.Hawaii	46.26% (2)	79.98% (2)	----------	---------	48.54% (2)
12.Idaho	57.55% (6)	112.12% (6)	312.50% (2)	1.20% (2)	131.24% (7)
13.Illinois	61.29% (7)	122.71% (7)	----------	1.61% (5)	125.99% (8)
14.Indiana	52.75% (9)	91.56% (8)	175.13% (3)	1.47% (5)	140.12% (11)
15.Iowa	57.97% (6)	104.40% (6)	54.55% (1)	2.20% (1)	186.49% (6)
16.Kansas	53.55%s(7)	93.18% (5)	73.33% (3)	2.16% (3)	143.07% (8)
17.Kentucky	66.83% (10)	127.82% (9)	200.00% (1)	0.24% (3)	113.40% (9)
18.Louisiana	46.68% (11)	81.53% (10)	89.22% (4)	2.66% (6)	135.14% (10)

TABLE 24B: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Ratio of Property Sold to Foreclosures	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings
19.Maine	----------	----------	----------	---------	----------
20.Maryland	64.02% (10)	120.27% (10)	300.00% (1)	0.39% (4)	47.83% (9)
21.Massachuset	73.97% (7)	144.65% (8)	60.00% (1)	0.95% (2)	40.02% (8)
22.Michigan	91.51% (3)	171.44% (3)	----------	0.00% (1)	13.60% (3)
23.Minnesota	93.79% (7)	170.44% (7)	50.00% (1)	0.53% (2)	110.27% (7)
24.Mississippi	46.10% (10)	67.48% (9)	162.50% (4)	0.55% (3)	162.68% (6)
25.Missouri	52.20% (6)	96.20% (6)	170.00% (1)	0.88% (2)	124.81% (7)
26.Montana	53.75% (4)	96.84% (4)	150.00% (1)	1.87% (1)	131.19% (3)
27.Nebraska	64.36% (4)	124.23% (4)	75.00% (1)	8.09% (1)	192.57% (3)
28.Nevada	55.55% (5)	103.48% (5)	100.00% (1)	0.08% (2)	79.50% (4)
29.New Hampshire	53.26% (3)	103.16% (3)	200.00% (1)	0.24% (1)	80.24% (3)
30.New Jersey	54.03% (6)	112.20% (6)	110.23% (2)	0.22% (3)	99.12% (6)
31.New Mexico	61.45% (7)	123.70% (7)	33.33% (1)	1.00% (3)	48.87% (7)
32.New York	62.43% (6)	121.93% (6)	100.00% (1)	0.11% (3)	69.31% (7)
33.North Carolina	44.51% (10)	85.90% (7)	150.51% (3)	0.53% (7)	22.41% (8)
34.North Dakota	38.12% (1)	85.91% (1)	----------	---------	0.00% (1)
35.Ohio	58.14% (9)	103.29% (9)	156.80% (3)	0.81% 94)	100.12% (10)
36.Oklahoma	65.58% (10)	115.22% (9)	20.35% (4)	1.22% (5)	113.03% (9)

TABLE 24C: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Ratio of Property Sold to Foreclosures	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings
37.Oregon	45.82% (9)	103.43% (9)	83.75% (3)	2.55% (5)	168.16% (10)
38.Pennsylvania	63.84% (10)	126.04% (10)	50.29% (3)	0.47% (6)	80.63% (10)
39.Rhode Island	61.98% (5)	113.58% (5)	----------	---------	41.70% (3)
40.South Carolina	65.82% (12)	119.03% (9)	101.92% (5)	0.77% (6)	42.88% (10)
41.South Dakota	32.78% (3)	75.81% (3)	100.00% (1)	2.41% (1)	95.08% (4)
42.Tennessee	58.05% (8)	96.99% (5)	80.94% (5)	1.46% (5)	74.91% (6)
43.Texas	60.21% (8)	103.97% (7)	100.00% (1)	0.32% (2)	13.24% (5)
44.Utah	52.53% (9)	100.46% (9)	82.73% (4)	4.59% (4)	540.36% (8)
45.Vermont	----------	----------	----------	---------	27.92% (1)
46.Virginia	56.26% (10)	110.36% (9)	115.67% (5)	0.91% (6)	51.39% (9)
47.Washington	66.13% (7)	146.20% (7)	48.89% (3)	0.83% (4)	118.42% (8)
48.West Virginia	68.78% (4)	130.44% (4)	70.00% (2)	5.90% (2)	124.16% (5)
49.Wisconsin	62.87% (7)	126.71% (7)	70.00% (1)	0.65% (2)	92.13% (7)
50.Wyoming	34.22%	64.71% (3)	----------	---------	115.68% (5)
51.Washington D.C.	47.87%	116.73% (2)	50.00% (1)	3.77% (1)	165.14% (1)
52.Ontario	79.38% (1)	141.09% (1)	----------	---------	0.00% (1)
53.Puerto Rico	----------	----------	----------	---------	----------

Appendix:

The 1984 NSMA

Questionnaire

NATIONAL SECOND MORTGAGE ASSOCIATION

EXECUTIVE DIRECTOR - Box 158, Center Square, Pennsylvania 19422 / (215) 277-3740
Toll Free Number Outside Pennsylvania 1-800-342-1121

*Bruce B. Felder - *President*
Record Data, Inc.
*Buel Clifton - *Vice President*
Household Finance Corporation
*Robert D. Dunham - *Vice President*
Dunham Enterprises
*David Farris - *Vice President*
Beneficial Management Corporation
*Mark Schuerman - *Secretary/Treasurer*
Anaheim Savings & Loan Association

DIRECTORS

James P. Allen
City Consumer Services, Inc.
*William A. Barrett
Avco Mortgage Corporation
James L. Baxley
Citizens Federal Savings & Loan Association
W. F. Carter
Fleet Financenter
Terry W. Claus
Aristar Management, Inc.
Larry Crawford
Wells Fargo Credit Corporation
Louis T. Cullen
General Electric Credit Corporation
David Curtis
The First National Bank of Chicago
Jeff Dickson
American Bankers Insurance Group
William F. Esposito
The First Boston Corporation
Gary Grahek
Home Equity Centers, Inc.
Tom Harvey
Citicorp Person-To-Person, Inc.
John Hayt
DAC Corporation
Tom Holden
Associates Financial Services, Inc.
Robert B. Janes
Rainier Credit Company
Thomas A. Kasper
Salomon Brothers Inc
Ken Killmaster
Trustee For Life
C. Stuart LaDow
Yegen Associates, Inc.
Reggie Manley
United Virginia Mortgage Corporation
Ben McDaniel
Colonial Financial Service
*Harold B. Rees
Commecial Credit Corporation
Al Scionti
PMI Insurance Company
William J. Sheehan, Jr.
US Creditcorp
*William D. Sullivan
Pioneer Financial Services, Inc.
*J. Grover Thomas
American Security Insurance
Stanley Zimmerman
Home Budget Loans

Perk Lodge
Executive Director
Harold B. Rees
Government Relations

*Executive Committee

DATE: April 19, 1984

RECEIVED
APR 23 1984

SUBJECT: 1984 NSMA Questionnaire

TO: NSMA Members

Attached is the NSMA Questionnaire covering 1983 activity. The questionnaire has undergone substantial remodeling this year, and we are requesting new data which reflects changes taking place in the industry. We ask that you complete as much of the questionnaire as possible even though there may be certain data that is unavailable or inapplicable to your company.

Dr. Richard Peterson is again compiling the consolidated report. In order to permit the timely compilation of this data, would you kindly send your completed questionnaire to him no later than June 1. His address is:

Dr. Richard Peterson
College of Business Administration, 903
Texas Tech University
P.O. Box 4320
Lubbock, Texas 79409

This year we have added a page of information at the state level, which we are asking that you provide for each state in which you operate. This will begin to give us some estimates of market size on a state-by-state basis in addition to our national data.

If you have any questions regarding the 1984 Questionnaire, please call Dr. Peterson at (806) 742-3365, or me at (312) 564-6287.

David D. Wesselink

DDW/lv

Attachment

NATIONAL SECOND MORTGAGE ASSOCIATION

Financial Questionnaire

Identifying number of firm ____ ____ ____ ____
(Assigned by NSMA)

Type of Firm
(check one)

☐ 1. Finance Company
☐ 2. Mortgage Banker
☐ 3. Commercial Bank
☐ 4. Savings and Loan Association
☐ 5. Mutual Savings Bank
☐ 6. Other (Specify)

_____

_____

_____

Type of Affiliation (if any)
(check one)

☐ 1. None
☐ 2. Subsidiary of bank or bank holding company
☐ 3. Affiliate of savings and loan or mutual savings bank
☐ 4. Subsidiary of nondepository institution (specify type of institution) _____

_____

☐ 5. Other (specify) _____

_____

INSTRUCTIONS

1. In answering the questionnaire, show whole dollar figures. (Do not round to the nearest thousand.)

2. See definitions at the end of the questionnaire. (Definitions follow Question 29).

3. Unless stated otherwise, report dollar amounts on Net Basis.

The following information is for the fiscal year ended: (check one)

☐ December 31, 1983 or _____
(specify date closest to year end for which data are available)

	MOST RECENT FISCAL YEAR-END		PREVIOUS YEAR	
	SECOND MORTGAGE	FULL PORTFOLIO	SECOND MORTGAGE	FULL PORTFOLIO
I. Volume and Outstanding Data Indicators				
1. Loans receivable outstanding and owned at end of fiscal year				
A. Number of loans outstanding	_____	_____	_____	_____
B. Gross balances outstanding (includes precomputed finance charges plus principal balances outstanding)	_____	_____	_____	_____
C. Net balances outstanding (includes principal balance only)	_____	_____	_____	_____
D. Average loans outstanding (check one)				
☐ (1) Daily				
☐ (2) At beginning and end of month				
☐ (3) At beginning and end of quarter				
☐ (4) At beginning and end of year				
☐ (5) Other (specify)				
_____				
_____				
E. Average gross receivable outstanding	_____	_____	_____	_____
F. Average net receivable outstanding	_____	_____	_____	_____
G. Number of revolving loans outstanding	_____	_____	_____	_____
H. Balances of revolving loans outstanding	_____	_____	_____	_____

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
2. Volume of second mortgage loans originated during the fiscal year				
A. Gross Balance Outstanding				
B. Net Balance Outstanding				
C. Balance Renewed check if gross ☐ or net ☐				
D. New Money				
3. Volume of real estate secured revolving lending originated				
4. Second mortgages receivable outstanding that were serviced but not owned at end of fiscal year				
A. Gross Balance Outstanding				
B. Net Balance Outstanding				
5. Volume of second mortgage purchased during fiscal year				
A. Gross Balance Outstanding				
B. Net Balance Outstanding				
6. Volume of second mortgage loans sold to other than affiliated company during the fiscal year				
7. A. Volume of reported second mortgage loans where your mortgage has first position				
B. Volume of reported second mortgage loans where your mortgage has second position				
C. Volume of reported second mortgage loans where your mortgage has third position				

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
8. A. Volume of second mortgage loans where the mortgage has an adjustable rate feature				
B. What type of index is used to adjust the rate?				
C. Volume of second mortgage loans where the mortgage is a term (balloon) note, when the term is greater than one year and any loans that have a call provision.				
D. Volume of second mortgage loans where the mortgage is a fully amortized fixed rate loan				
9. Outstandings of direct and indirect loans where an indirect loan is a loan which is originated by a third party for a fee				
A. Direct loan net balance outstanding				
B. Indirect loan net balance outstanding				
10. Volume of direct and indirect loans originated				
A. Direct loan net balance originated				
B. Indirect loan net balance originated				

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE ONLY	FULL PORTFOLIO
II. Sources of Funds and Profitability		
11. Average borrowings during fiscal year (Based on average debt outstanding daily ☐; at beginning or end of each month ☐; quarter ☐; or year ☐ (check one).		
12. Average stockholders' equity during fiscal year (Based on average equity outstanding daily ☐; or at beginning and end of each month ☐; quarter ☐; or year ☐ (check one)).		
13. Interest expense for the fiscal year.		
14. Gross revenue for the fiscal year		
A. What type of income recognition method is used?		
B. Gross interest income		
C. Mortgage servicing fee income		
D. Origination fee on loans acquired for own account		
E. Brokerage fee on loans and other fee income		
F. Prepayment penalties		
G. Insurance and other non-fee revenue		
15. Income before income taxes for the fiscal year		

	SECOND MORTGAGE ONLY		
	HIGH	AVG.	LOW
16. Range of APR on loans originated during the year			

III. Contractual Delinquencies and Charge-offs

	MOST RECENT FISCAL YEAR SECOND MORTGAGE NUMBER	MOST RECENT FISCAL YEAR SECOND MORTGAGE UNPAID BALANCES INCLUDING LOANS AND FORECLOSURES BUT NOT OWNED
17. Contractual Analysis (Based on terms in effect at statement date and applicable to precompute, add-on, discount, and interest bearing accounts)		
A. Accounts current and with instalments past due less than 60 days		
B. Accounts past due: 60 - 89 days		
C. Accounts past due: 90 - 179 days		
D. Accounts past due: 180 days or more		
E. Total accounts delinquent over 60 days (should equal b+c+d)		
F. Total Accounts (both current & delinquent should equal a + e		
18. A. Do reported delinquent balances include real estate owned after foreclosure? ☐ Yes ☐ No.		
B. Provide number and amount of real estate owned after foreclosure.		
C. Are real estate owned after foreclosures included in outstandings? ☐ Yes ☐ No		
19. Do reported delinquent balances include unearned finance charges? ☐ Yes ☐ No. If so, provide dollar amount.		

20. Do delinquent balances apply only to fully owned loans or to serviced loans also?
☐ Includes own receivables only ☐ Includes serviced loans

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
	NUMBER	UNPAID BALANCE ON LOANS
21. Foreclosures		
A. Define foreclosure policy		
B. Total foreclosures consummated during the fiscal year including property taken by deed.		
1. Property taken by deed		
2. Property taken through legal process		
C. Foreclosed properties liquidated		
D. Property sold, number		
E. Property sold, dollar amount realized from sale		

	MOST RECENT FISCAL YEAR SECOND MORTGAGE
	AMOUNT
22. Charge-offs	
A. Define charge-off policy	
B. Gross charge-offs during fiscal year	
C. Recoveries during fiscal year	
D. Net charge-offs during fiscal year	
23. Allowance (reserves for possible loan losses at end of fiscal year)	

IV. Operating Policies

This data should be reported for the quarter ending with the end of fiscal year shown on the previous page. The data reported should relate to originated loans only, not purchased loans.

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
	NUMBER	DOLLAR
24. Number and dollar volume of second mortgage loans originated for personal, family or household purposes during quarter.		
25. Number and dollar volume of second mortgage loans originated for other than consumer purposes.		
26. Number and total dollar volume of second mortgage loans originated during the quarter (should be equal to sum of #24 and #25)		
27. Estimated percent of dollar volume consisting of "purchase money" second mortgages		
28. A. Number and dollar volume of private mortgage insured loans		

B. Define private mortgage insurance policy

_____

_____

29. With respect to second mortgage loans made to consumers:

A. Average ratio of loan to appraised equity: _____%

B. Maximum ratio of all mortgages to appraised value of property: _____%

C. Average written maturity of new loans - dollar weighted: _____Months

D. Average actual maturity of new loans - dollar weighted: _____Months

DEFINITIONS

Reporting period - most recent fiscal year ending on or closest to December 31, 1983.

Previous year - fiscal year exactly one year prior to the reporting period.

Gross loans receivable - includes all principal loan balances due plus precomputed finance changes (unearned interest income) associated with those loans.

Net loans receivable - includes only principal loan balances due, i.e., net balances receivable equal gross balances receivable less precomputed finance charges (unearned interest income).

Volume of new loans - value of receivables originated and purchased during the period.

New money - amount of new money disbursed.

Balances renewed - preexisting balances refinanced.

Average net loans receivable - sum of net loans receivable outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Alternatively, daily average figures may be kept, or this years net receivables can be added to last years net receivables outstanding and divided by two.

Average borrowings - sum of total borrowings outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Again, daily average figures can be used, or the average of year-end debt balances can be provided.

Average stockholders equity - sum of stockholders' equity at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year.

"Purchase Money" second mortgage - second mortgage used to help finance the borrower's initial purchase of the mortgaged property.

Additonal page for NSMA questionnaire

IV. State specific data on outstandings and foreclosures

For each state in which you operate please record the following information: (if you operate in more than 3 states, please Xerox this page and provide information applicable to additional states on the Xerox copies).

	1	2	3
A. Name of state			
B. Second mortgage outstandings in state*			
C. Originations in state* during 1983			
D. Average APR for second mortgages originated			
E. Second mortgage delinquencies			
1. Number accounts delinquent over 60 days			
2. Dollar amount of accounts delinquent over 60 days			
3. % of related receivables outstanding (in dollars)			
F. 1. Number of foreclosures			
2. Dollar value of liens			
G. Foreclosed properties liquidated during 1983			
1. Total number			
2. Dollar value			
3. Property sold, number			
4. Property sold, value			

*Report outstandings and volume net of unearned interest if possible.